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31 March 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2384

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31 March 1983

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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### CONTENTS

#### INTERNATIONAL AFFAIRS

Yugoslav Participation in Building Soviet Danube Port (D. Vukcevic; BORBA, 2 Feb 83) .....	1
Yugoslav Trade With Romania, Albania Detailed (PRIVREDNI PREGLED, 17 Feb 83) .....	3
Yugoslav-Romanian Trade Improving Trade Plan With Albania Exceeded	

#### ALBANIA

Need To Improve Effectiveness of Production Stressed (Fatos Cekodhima, Sadri Rrahmani; ZERI I POPULLIT, 12 Feb 83) .....	6
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#### CZECHOSLOVAKIA

CSSR Deputy Premier Interviewed on CSSR-USSR Cooperation (Rudolf Rohlicek Interview; KOMSOMOL'SKAYA PRAVDA, 11 Jan 83) .....	9
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#### GERMAN DEMOCRATIC REPUBLIC

Future Rail Electrification Goals Outlined (ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA, Nov 82) .....	12
----------------------------------------------------------------------------------------------------	----

#### HUNGARY

Statistical Office Reports 1982 Economic Performance (NEPSZABADSAG, 5 Feb 83) .....	18
Youth Preference for White Collar Jobs Unbalances Labor Force (Sandor Ambrus; NEPSZABADSAG, 9 Feb 83) .....	27
New Programs To Train Business Managers (Ferenc Nemes; NEPSZABADSAG, 8 Feb 83) .....	31

New Management System in Industry Summarized (MUSZAKI ELET, 20 Jan 83) .....	35
Bank Official Praises Resourcefulness of Agricultural Sector (Gyula Pales Interview; FIGYELO, 10 Feb 83).....	38
Socialism Viable, Capable of Reform, Party Paper Editor Claims (Peter Renyi; EUROPÄISCHE RUNDSCHAU, No 1, 1983)....	42

#### POLAND

Ministry Official Views Foreign Trade in 1983 (Ryszard Strzelecki Interview; GAZETA POMORSKA, 8 Feb 83)	55
Officials Assess Price Changes, Inflationary Spiral (various sources, various dates) .....	59
Increased Prices in 1983, by Janusz Kotarski Increased Inflation, Reduced Living Standard, by Agnieszka Suchecka Dangerous Inflationary Spiral, by Wanda Waligora	
Special Currency Exchange Rate Tables Published (TRYBUNA LUDU, Jan, Feb, Mar 83).....	71
Exchange Rate Table No 5	
Exchange Rate Table No 6	
Exchange Rate Table No 7	
Exchange Rate Table No 8	
Exchange Rate Table No 9	
Daily Reports on Farm Produce Procurement (ZYCIE WARSZAWY, 22 Feb 83) .....	80

#### YUGOSLAVIA

Glizorov Gives Progress Report on Integrating Economy (Editorial Report; BORBA, 3 Mar 83).....	81
Foreign Debt Problems of 'Nafta-Gas' Enterprise (Branislav Gulan, BORBA, 8 Feb 83).....	84



YUGOSLAV PARTICIPATION IN BUILDING SOVIET DANUBE PORT

Belgrade BORBA in Serbo-Croatian 2 Feb 83 p 12

[Article by D. Vukcevic]

[Text] "Ivan Milutinovic" and "Ratko Mitrovic," in addition to the port, will construct a hotel as well as some associated buildings.

As of last night, the Danube port of Reni is also officially a new construction site in the Soviet Union for Yugoslav builders. At a modest ceremony on the occasion of the contract signing between Soyuzvnjestroimport and our General-Eksport in Moscow, Viktor Prosolov, the Soviet firm's president, said that the Yugoslav builders' past reputation determined the choice of contractor.

For the port of Reni, which presently handles about 12 million tons of freight yearly, the construction of four new piers will make it not only the largest Danube port, but should solve the great problems of Soviet transport which currently arise from Bottlenecks at the Cop railway transshipment point on the Soviet-Hungarian border. The port is considered to be "priority" project which should ensure goods traffic from East to West and vice-versa, and its expansion will continue in the next few years.

The Yugoslav work organizations "Ivan Milutinovic" and "Ratko Mitrovic," in addition to the four piers and warehousing space, will construct a commercial building with a restaurant facility and areas for accommodating sailors during the transloading of their vessels. Besides this, they also will construct in Reni--a city with a current population of about 50,000--a hotel for single persons with 300 one-room apartments, as well as several support buildings.

It is interesting that "Ivan Milutinovic" and "Ratko Mitrovic" will carry out their construction using prefabricated building elements cast in Yugoslavia. Their intallation will speed up and reduce the cost of construction. The projects will begin this May and should be completed in 13 months. According to the contract, the projects' value amounts to \$39.5 million.

This is a large obligation for the Yugoslav contractors, but last night we heard assurances from Ilija Matic, the director of General-Eksport in Moscow, that our builders, once again, will meet their deadlines and, based on the quality of their work, compete for new jobs. Representatives of the Soviet firms Morflot and Sojyuzvmjestrimport cited as an example of quality and speed in construction, the tourist facilities at Yalta and the hotels Soyuz and Kosmos in Moscow, which the Yugoslavs built.

Soviet investors are very discriminating, particularly when the choice of contractors for projects such as the port of Reni are at issue, which, because of its location, has the character of both a river and ocean facility. This bid was awarded directly to General-Eksport because they are well informed here about projects of the type which Yugoslav contractors built or are building in Sudan, Ethiopia, Syria and other countries. This certainly represents confidence but also our obligation.

12192

CSC: 2800/167

YUGOSLAV TRADE WITH ROMANIA, ALBANIA DETAILED

Yugoslav-Romanian Trade Improving

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Feb 83 p 2

[Text] More than \$196 million worth of trade was contracted for by mid-February, which is almost half of the trade planned for 1983.

Trade last year between Yugoslavia and Romania was set at a rather low level, since the volume achieved was considerably less than that provided for by the Protocol on exchange of goods and services for 1982. Instead of the planned volume of \$515 million, only \$224.8 million was achieved; Yugoslav exports accounting for \$112.9 million and Romanian exports for \$111.9 million. Last year's trade volume was even lower than 1981's when it totaled \$244 million. This means that trade, in 1982, in comparison with the previous year, fell almost 8 percent, although our imports were better covered by our exports as a result of imports decreasing by almost 15 percent. We even earned a slight surplus of about \$1 million.

Within the 1982 Yugoslav export structure, raw materials and semi-manufactured goods took first place with over \$87 million, followed by machines and equipment with around \$14 million, agricultural-food products with \$8.7 million and consumer goods with close to \$3 million. The import structure is similar: raw materials and semi-manufactured goods make up over 89 percent, machines and equipment around 20, while agricultural-food products and consumer goods together make up approximately \$1 million.

The protocol on exchange of goods and services for 1983 provides for an overall volume of \$400 million, balanced at \$200 million for each country, in which \$19 million are services, divided between Yugoslav and Romanian exports at \$14 million and \$5 million respectively. Trade in goods should grow by about 69 percent compared to 1982 and will amount to \$381 million. Raw materials and semi-manufactured goods remain the principal items for both sides (our exports: \$143.5 million and Romanian exports: \$154.5 million). Machines and equipment are in second place with \$33.2 million for each side. The remaining categories are agricultural-food products, consumer goods and local border trade which should reach \$4 million in each direction.

Probably no essential change will occur this year as regards the part industrial cooperation plays in overall trade and, like last year, it will amount to about 20 percent. Some possibilities exist for concluding some additional arrangement, but the talks are in the initial phase.

It is important to stress that the beginning of the year was encouraging to businessmen who somewhat apathetically saw off last year; By mid-February, trade worth more than \$196 million already had been contracted for, each side having about \$93 million. This is almost half of the total planned trade for 1983, which provides a realistic basis that contracting will be executed on a timely basis, and this is a condition for trade to be conducted more successfully and in a timely manner. The above sum of trade contracted for includes about \$15 million worth of the so-called carryover type, that which was unfinished last year. Negotiations are underway for contracting trade worth about \$50 million more, and it is believed that still more contracts have been concluded which weren't reported to the ZPP [Joint Economic Representation] in Bucharest, which is, unfortunately, still the habit of some businessmen.

#### Trade Plan With Albania Exceeded

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Feb 83 p 2

[Text] The Protocol for 1983 has established a \$126 million trade volume, balanced at \$63 million for each side.

The volume and structure of trade between Yugoslavia and Albania last year recorded a perceptible increase if compared with the previous year. According to interim and unofficial information from the Yugoslav Chamber of Commerce, the Institute for Foreign Trade in Belgrade and the Slovenian Republic Information System for Economic Relations Abroad, the 1982 trade volume between the two countries was about \$147,948,000. Of that sum, Yugoslav exports comprised \$73,546,000 and imports \$74,402,000.

Expanded too is the list of products which are shipped from our country to buyers in Albania. Ranked by value, ferrous metal products take first place with about \$14.7 million, followed by electrical machines and devices with about \$8.4 million, products of the metalworking industry with more than \$5 million, food products with close to \$5 million, nonferrous metal products and transportation means, each with \$4.6 million, ahead of which is the metalprocessing industry with about \$4.36 million. Next come machinebuilding, \$4 million; products for food, \$3.14 million; and processed rubber, \$3 million. Between \$1 million and \$3 million worth of textile fibers and textiles, agricultural products, non-metal products, ready-made textile products and paper etc. were exported.

Electrical energy occupies the principal place in our imports from Albania with approximately 70 percent of the overall volume of imports from that

country. When considering our import of goods, nonferrous metal ores are in first place followed by tobacco and manufactured products, various chemical products, electrical machines and devices, textile fiber, textiles and other products.

The protocol on trade of goods for 1983 established a volume of \$126 million, balanced at \$63 million for each side. It is believed that this protocol can be accomplished without difficulty although some products which had a significant place last year in balancing the trade did not get onto this year's products list.

According to information given by delegates of work organizations at a meeting of the Section [of the Yugoslav Chamber of Commerce for Economic Relations Between Yugoslavia and Albania], difficulties exist in concluding business arrangements but, since events last year demonstrated that interest exists on both sides for particular products, it is hoped that the difficulties can be overcome.

The delegates also took up the problem of manifestations of so-called unfair practices which occurred among Yugoslav organizations relative to the Albanian export and import market. This had to do with the dispute which ensued when "Slovenijales"--which isn't even a member of the section--purchased glycerin without consulting the "Kemikalija" firm of Zagreb which is the coordinator for that type of product. A similar situation occurred with exporters of asbestos fibers: The previous exporter "Bosnaazbest" lodged a complaint about "Jugoazbest, which had offered goods to buyers in Albania on terms different than those offered by the first exporter. "Jugoazbest" is not a member of the section either. Members of the section decided that these disputes should be resolved within the framework of its professional service and with the participation of the competent republic Chambers of Commerce in order to avoid an appearance before the Honor Court.

12192

CSO: 2800/167

# NEED TO IMPROVE EFFECTIVENESS OF PRODUCTION STRESSED

Tirana ZERI I POPULLIT in Albanian 12 Feb 83 p 2

[Article by Fatos Cekodhima and Sadri Rrahmani: "Increasing the Effectiveness of Social Production--A Basic Requirement for the Intensive Development of the Economy"]

[Excerpts] The 8th party congress emphasized that a major characteristic of the development of our economy is complete reliance on our own forces and on domestic sources of socialist accumulation. Under these conditions, the improvement of the effectiveness of social production is of special importance. Therefore, the 6th Plenum of the Central Committee of the Albanian Workers Party called for work of high quality, profitability and effectiveness in the utilization of the entire human, technical, material, organizational and scientific potential which we have created and which we are strengthening unceasingly.

Considering the great achievements in all fields of life in relation to the endless opportunities which are created by the planned development of our economy and the important tasks which are set for the future, considerable improvements must be made everywhere in the area of the effectiveness of production. The achievement of these improvements depends, first of all, on a correct understanding of the importance of improving effectiveness as a key factor for the current and future development of the economy. The National Aktiv on Improving the Effectiveness of Social Production discussed this matter at length. We will examine some problems discussed.

During this year, in accordance with the directives of the Sixth 5-Year Plan, some 45 percent of the increase in the social product is supposed to be provided by an increase in labor productivity.

In his report to the aktiv, Qirjako Mihali, candidate member of the Politburo and minister of finance, said that the successful execution of this objective requires effective measures for the perfection of the socialist organization of labor, especially norms, measures to save time, measures to raise the level of automation, etc.

The average number of days worked by a worker in the machine industry and the mining industry is 2-10 percent less than in light industry. Work norms



are not in harmony with technical progress and with the training of the workers.

About 50 percent of the increase in labor productivity will be obtained by raising the level of mechanization and improving production technology. The execution of the tasks for increasing labor productivity requires considerable improvements in their planning and monitoring. It is necessary to combat instances of empiricism and globalism in setting targets while analyzing, studying, and monitoring, one by one, the factors on which an increase in productivity is based. This is a task for economists and other specialists in the enterprises and the sections of the executive committees of the people's councils of the districts and of the ministries.

Despite the achievements, in the area of the utilization of the technical-material base there is still more to be done to raise the level of utilization of existing production capacities, which are supposed to provide 85 percent of the industrial production. Nevertheless, a number of shortcomings exist, resulting in great losses of work time for machinery, an irregular technical-material supply process, inadequate work discipline, etc.

The raising of the level of assimilation of new projects is another important direction for the effective utilization of the technical-material base. This has not taken place in the Valias mine in Tirana, in some plants of the metallurgical combine and in some enterprises of the food industry. Therefore, the state and economic organs must increase their work and efforts to solve technical and technological problems as quickly as possible in order to give the economy the planned production and accumulation.

The 6th Plenum of the Central Committee of the AWP said that the struggle to improve the effectiveness of social production requires increased efforts by all to increase the value of social labor, first of all, by the rational utilization of natural resources, raw materials, electric power, etc. The improvement of the quality of products has a great influence in increasing the value of social labor. Last year, there were losses in the quality of some minerals, spare parts, agricultural products, etc., which had negative repercussions on the effectiveness of production. Therefore, the party emphasizes that all measures should be taken in this area to ensure that high quality goods are produced which satisfy the needs of the domestic market and the export requirements. The fulfillment and over-fulfillment of export tasks should be regarded seriously and with responsibility in order to obtain hard currency resources. In addition, efforts to reduce imports should be increased.

Energy is still a sector in which economizing is important. Last year, although about 20 percent less electric power was used, the majority of branches and enterprises found ways to fulfill their plans. Savings and large hard currency resources can be obtained for the economy by the careful use of other energy resources.

The time factor is of utmost importance in improving the effectiveness of investments. Special attention should also be given to the production of machinery and equipment. Some shortfalls in this area have their source in the failure to prepare designs and sketches on time, the backwardness of design research work, and the artisan-type forms of organization and management which still exist in many cases. The month of February has arrived and some investors have not yet presented their requests for machinery and equipment for the coming year. All these problems should be resolved as well and as quickly as possible in order to place the effectiveness of capital investments on fully scientific bases.

Many examples presented in the aktiv illustrate the skills of our scientific workers and the possibilities which exist for promoting scientific studies. No one can think that the increasing tasks placed before us can be resolved by empirical means, through ordinary management. In addition to research and further improvement of planning, the aktiv stressed the need for strengthening the monitoring of indicators dealing with effectiveness. In this area, the planning, financial and bank organs should exert stronger control. Foto Sava, the director of finance in the Ministry of Light Industry and Food Industry, said that the deeper involvement of the bank, by means of the lever of credit, in the activity of the enterprises will promote the system of control by means of the lek and will free financial resources for the economy.

USO: 2100736



CSSR DEPUTY PREMIER INTERVIEWED ON CSSR-USSR COOPERATION

Moscow KOMSOMOL'SKAYA PRAVDA in Russian 11 Jan 83 p 3

[Interview with CSSR Deputy Premier Rudolf Rohlfčėk by KOMSOMOL'SKAYA PRAVDA special correspondent V. Andriyanov; date and place not given; under the heading "Orbits of Integration": "Augmenting Forces"]

[Text] Prior to our conversation, I compiled a chronicle of economic cooperation between our countries in recent months. "Tatra" motor vehicle plant, specialized within the CEMA framework to produce heavy-duty dump trucks, has begun releasing a new truck model, the "Tatra-815." The first vehicle was sent to our country. "Shkoda" association is manufacturing the next "VVER-440" [water-cooled] nuclear power reactor, using Soviet documentation, ahead of schedule. The first "Shkoda" reactor began operating several days ago in Hungary. A total of 17 such reactors will be made in Pilsen for the CSSR and for neighboring socialist countries. Practically every day brings new instances of fruitful, mutually advantageous cooperation between the Soviet Union and Czechoslovakia, of the creative force of socialist economic integration.

[Question] Your comments, Comrade Rohlfčėk, on this chronicle?

[Answer] First, I would add to it. Our cooperation is very multifaceted, helping build the Prague subway, conduct research in space and develop nuclear power engineering. This current, 7th, five-year plan, we will be working jointly on more than 500 scientific-technical problems. Among them are the production and introduction of microprocessor equipment and industrial robots. The efforts of all CEMA countries are united in resolving these very important tasks. Microprocessor units, called the catalysts of scientific-technical progress, and robot engineering sharply improve labor productivity and the efficiency of social production.

[Question] It was not all that long ago that Czechoslovakia produced nearly the entire assortment of world machinebuilding output....

[Answer] And much to our disadvantage. No one country, much less a small one, can permit itself to produce everything. The international division of labor within the Council of Economic Mutual Assistance framework provides an opportunity to solve this problem. Jointly with the USSR, our country is specializing to produce trucks and weaving machines; we are specializing to produce mainline

electric locomotives jointly with Poland and the Soviet Union. Czechoslovakia has become a main supplier of mainline passenger electric locomotives to the socialist countries and is a world leader in their production. Czechoslovak electric locomotives are very familiar to Soviet passengers, including those on the BAM [Baykal-Amur Mainline]. Large-series production improves their efficiency and quality.

After beginning with a simple division of labor, the CEMA member-nations have shifted to the creation of international organizations for economic and scientific-technical cooperation. One is the "Interelektro." It unifies research by designers, engineers and electrical-engineering industry workers of the socialist countries. This has resulted in the development of a number of new electric motors and other equipment.

Labor collectives of the "ChKD-Praga" association, the "Elektrosila" association of Leningrad and Hungary's "Gants-Elektrik" association have become friends in the course of joint work. And this is not the only example. Cooperation is being successfully developed in the fields of nuclear, mining and textile machine-building. The core of our interaction is the "Long-Range Program for Developing Production Specialization and Cooperation Between the CSSR and USSR Up To 1990."

The "prophecy" by THE NATION in America the year the Council was formed that CEMA would disintegrate day by day is now viewed as an historical curiosity. CEMA member-nations now provide 34 percent of world industrial production. And they are considering how to supplement plan coordination with further agreement on economic policy as a whole. This is a course adopted by our party congresses.

Question] Evaluate, if you will, the importance of socialist economic integration from a political viewpoint as well.

Answer] By uniting our efforts, we are creating the material basis for a gradual rapprochement of the fraternal countries. Together, we are successfully strengthening our technical and economic independence from the capitalist West and are overcoming the impact of all manner of "sanctions" and embargoes.

At the same time, socialist economic integration does not signify the isolation of CEMA member-nations from the rest of the world. Czechoslovakia, like other countries in our community, will continue to develop economic ties with those capitalist states which are prepared to cooperate on equal, mutually-advantageous terms.

Question] Economic integration encompasses an increasingly broad range of branches. Thus, Czechoslovak machinebuilding is already involved in implementation of more than a third of the cooperation programs. In this connection, the international significance of the labor of each worker is growing....

Answer] Our public organizations -- trade unions, the Socialist Youth Alliance and Union of Czechoslovak-Soviet Friendship -- under the leadership of the Czechoslovak Communist Party, are doing much to inculcate a new attitude towards labor, an understanding of one's international duty. Thousands of collectives sponsor orders from fraternal countries. "Brotherhood" labor collectives are strengthening their ties. International socialist competition is being developed.

Thus, youth collectives of Eastern Slovakia and the Transcarpathia area began competing under the slogan "Two Congresses, One Goal" during preparations for the congresses of our parties. This competition continues. Labor collectives of Czechoslovakia and the Soviet Union hold contests of occupational skill, study each other's experience, and exchange workers under the "machine tool to machine tool" principle.

The CSSR government and the country's Central Council of Trade Unions recently adopted a resolution on developing international socialist competition. The primary goal is to increase its effectiveness.

In our view, the experience of this competition is still scattered. Obligations are sometimes assumed without considering primary goals. We therefore are trying to achieve a situation in which it is concentrated in the main cooperative programs, as is being done in "Vitkovitse" association, one of the primary creators of the nuclear program, at "Tatra" motor vehicles plant, and at "Paskov" Mine imeni Lenin Komsomol.

11052

CSO: 1825/24

## FUTURE RAIL ELECTRIFICATION GOALS OUTLINED

Moscow ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA in Russian No 11, Nov 82 (signed to press 11 Oct 82) pp 39-40

[Article based on materials from the foreign press: "Electrification of the Railroads"]

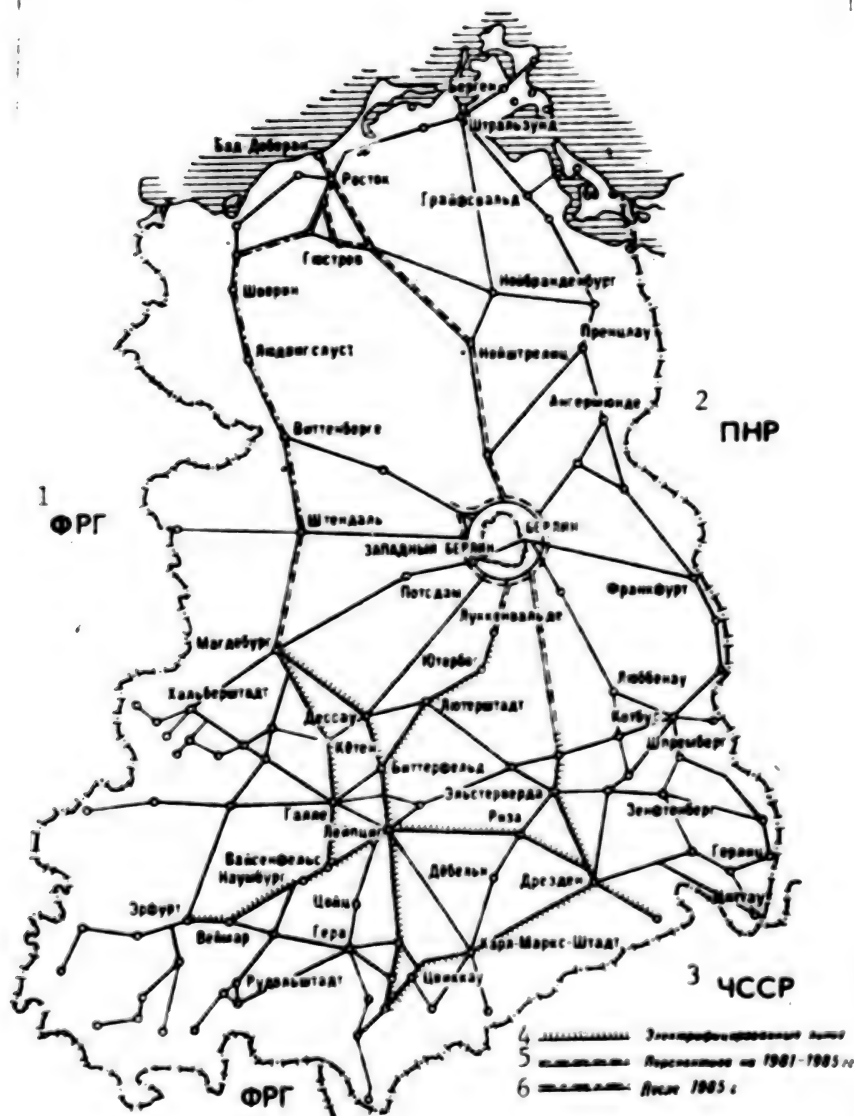
[Text] Electrification of the lines with the heaviest freight traffic is one of the basic directions of the development of the state railroads of the GDR. This work is enabling them to reduce the costs of the transport operations by minimizing the relative expenditure of electric power resources. The task of economizing on fuel and electric energy was accorded special emphasis in the 10th Congress of the SEPG [Socialist Unity Party of Germany].

The plans for the country's development in the next five-year period call for the electrification of 700-750 km of railroad lines. This will make it possible to reduce the volume of expensive deliveries of oil from abroad. At present diesel traction accounts for 20-25 percent of all the diesel fuel expended in GDR while the consumption of electric energy for the hauling of trains amounts to not more than one percent of all the energy produced in the country.

## The History of Electrification in the Country

More than 100 years ago at an industrial exhibition in Berlin on a closed circular route they carried out the first trial of a train with electric drive and carrying a 3 h.p. locomotive. It could accommodate 12 passengers. The locomotive operated on direct current with a series connection of traction motors. The combination of direct current and series connection of motors limited the capacity of the electric locomotive. They therefore used a heavy-gage contact net and reduced distances between the traction substations, a practice which decreased somewhat the losses in the transmission of energy.

Map Showing German Railroads



Key:

- |                             |                            |
|-----------------------------|----------------------------|
| 1. FRG                      | 4. Electrified lines       |
| 2. Polish People's Republic | 5. Projected for 1981-1985 |
| 3. CSSR                     | 6. After 1985              |

At the same time they had then already begun the attempts to use alternating current, which enabled them to generate a high voltage in the contact net. In the 1912-1913 period the German railroads employed a single-phase 16-2/3 hertz direct current with a voltage of 15 kilovolts. The new system demonstrated its advantages at the end of World War II but it did not become economically efficient until after the development of the high-powered silicon rectifiers which made it possible to use current with a frequency of 50 hertz.

The first electrified lines made their appearance in Germany in 1911. They were in operation until the 1945-46 period. In 1953 they began the preparatory work for restoration of the electrified traction on the basis of the old structures. In this undertaking specialists from the USSR rendered a great deal of assistance. In September 1955 the first train with an electric locomotive made its way through the Galle-Keten sector.

At the present time the state railroads of GDR possess a network of electrified lines which constitute 9.9 percent of the total length of the roads. Thanks to these lines approximately 21 percent of the shipping work in the country is now already being carried out by electric traction.

In the GDR there are two types of electric feeding of the lines--centralized and decentralized. In the centralized electric feeding the transforming stations are connected among themselves with a 110 kv 16-2/3 hertz high-voltage line to which there are hooked up the substations which feed the contact net a voltage of 15 kv. In the decentralized electric feeding the industrial frequency is converted by means of substations to a frequency of 16-2/3 hertz. Further electrification entails largely decentralized feeding.

#### Advantages of Electric Traction

We know that electrification of the railroad mainlines requires large capital investments in the electric feeding of the lines, reconstruction of the depots, the selection of safety and communications facilities, and the purchase of electric rolling stock. However, the railroad people of GDR believe that these expenditures will rapidly be repaid by reduced consumption of diesel fuel for the trains.

The average yearly energy coefficients for efficient operation of the three types of traction in the country are as follows: steam traction 3-4 percent, diesel traction 18-21 percent, electric traction 20-22 percent. At the same time the expenditures for repair of electric locomotives are 60 percent lower than those for diesel locomotives although electrification involves additional outlays for maintenance of the contact net and conversion of the electric energy.

The operational expenditures for electric motors in serviceable condition are also considerably less. In addition, the same volume of shipments can be implemented by a lesser number of electric motors. The result is a saving of manpower and consequently increased labor productivity. Another

advantage of electric motors is decreased noise, an advantage which is especially important for densely populated areas. Also, the absence of pollutant gases in the environment.

However, the chief advantages of the electric locomotives, in the opinion of the specialists of the GDR railroads, are their high operational and technical indicators. In comparison with the other locomotives, the electric one possesses greater design capacity.

The Series 242 electric locomotive, for example, has an hourly capacity of 2,920 kilovolts, a capacity which is almost fully (less 3 percent mechanical losses) used for automatic coupling of the train and it can be increased in a short time under certain conditions. The Series 132 diesel locomotive can indeed deliver a larger capacity of 2,200 kilovolts, from which it is necessary to deduct its losses for auxiliary equipment, for the transforming of energy, and for other needs. As a result, the maximum output capacity engendered for the traction of the train is not more than 2,000 kilovolts. In addition, in the case of the passenger trains the capacity is decreased because of electric heating of the cars (up to 600 kilovolts) while in electric locomotives the capacity for electric heating comes directly from the contact net.

At the present time, the most powerful electric locomotive in the GDR, the Series 250, has a rated hourly capacity of 5,400 kilovolts. It is capable of hauling trains weighing up to 3,000 tons, developing in the same sectors a speed of 80 kilometers per hour. The superior performance qualities of the electric locomotive make possible a 5-15 percent increase in the sector speed. This is especially important for the city railroads, where the distances between stations are short. For these routes it is necessary to operate at the same time both the conventional passenger trains and the electric ones. The diesel locomotives, which have the least acceleration in contact with the trains, limit the travel capacity of the lines.

Thus, as a result of the electrification of the city railroads in Dresden, Galle and Leipzig, they were constructed with the minimum number of tracks. On the whole, electric traction increases the travel capacity of the lines by 8-12 percent.

Although at present and for the immediate future there has been established for the GDR railroads a maximum speed of 120 kilometers per hour, it should be noted that the electric locomotive, because of its large rated capacity, is capable of attaining greater speeds. There should also be borne in mind the cutting down of the physical exertions of the railroad engineers and the improvement of the conditions of labor.

Thus, the figures show that the electrification of the state railroads of the GDR pays for the additional capital investments in 2-6 years. It is not only capable of saving on imported fuel but it also improves the operation of the trains and increases the productivity of labor.

At the same time, the GDR is to some extent lagging behind the other countries with respect to the rates of electrification. There are several



reasons for this. In the latter half of the 1950's they began the restoration of the electrification in the Galle-Leipzig sector. The introduction of the basic electrified network in these centers was an extremely capital-intensive undertaking because of the complex structure of the railroads. In addition, capital investments were required for the development of industry. Consequently, the shift to the new type of traction yielded appreciable benefits only in some localities.

In this situation it was necessary first of all to switch to diesel locomotive traction in order to expedite the replacement of the locomotives. Assistance in this undertaking came especially from the import of high-powered diesel locomotives from the Soviet Union. What transpired confirmed the correctness of this measure. Thus, where in 1965 the proportion of steam locomotives in the total shipping work was 88.4 percent, in 1970 this proportion fell to 42.3 percent and in 1980 to 5.6 percent. At the same time the participation of electric motors in the work of the transport conveyor rose from 8.6 percent in 1965 to 21 percent in 1980.

#### The Prospects for Electrification

Since the capital investments required for the electrification of one kilometer of line are only to a negligible extent dependent on the intensiveness of the traffic in the sector, the railroad people of the GDR made provision first for electrification of the lines with the heaviest traffic load. As a result, the capital investments for each million ton-kilometers gross comes out the lowest but the economic effect derived from electrification is the greatest.

The 1976-1985 electrification program provides for the following:

Use of the already electrified railroad junctions of Galle, Leipzig and Dresden;

Electrification of the south-north mainlines, i.e., the main transport artery, simultaneously with the introduction of the electrified lines in Berlin;

Connecting the maritime ports of Rostock and Wismar to the electrified network and also fulfilling the CEMA decisions with respect to the establishment of high-powered electrified communications between the Baltic ports of the GDR and the Black Sea ports of SSR [Romania] and NRB [Bulgaria];

Priority electrification of the sectors with heavy freight loads, a measure which will also enhance the capacity and increase the effectiveness of the capital investments;

Efficient use of the available electrification facilities and reduction of the expenditures for the installations under construction.

The following tasks have been planned in connection with this program: in the period before 1986--electrification of the Bitterfel'd-Bar line (the



circumferential railroad around Berlin) and before 1985 the Dresden-Bar line. The plan also calls for electrification of the Berlin-Bar-Rostok and the Magdeburg-Stendal lines (with further construction after 1983 as far as Rostok and Wismar). At present the GDR specialists are working on the plan for the 1986-1990 period. This plan provides for expansion of the electrified network by such measures as, for example, construction of branch lines for it.

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## STATISTICAL OFFICE REPORTS 1982 ECONOMIC PERFORMANCE

Budapest NEPSZABADSAG in Hungarian 5 Feb 83 pp 3, 4

[Text] The economy's development in 1982, even under the worsening international conditions, was basically in accord with the requirements specified in the national economic plan. The most important objective has been met: the nation's external economic equilibrium--under the pressure of the external conditions and as a result of domestic efforts--improved. The balance of trade denominated in convertible currency showed an export surplus. Personal real income and consumption slightly exceeded the preceding year's level, in accordance with the plan.

Because of the more difficult conditions, the improvement of economic equilibrium required greater effort than in the past, of economic management and of the economic organizations as well. In order to ensure the maintenance of solvency, significant measures were introduced during the year that slowed down the income of the enterprises and population, respectively its rise, and increased budgetary revenue, for the purpose of maintaining domestic spending within planned limits.

International economic processes had a greater and more direct effect on the economic organizations' activity and results than in the past. The enterprises' economic situation underwent further differentiation, in accordance with their marketing possibilities and ability to adjust. The new types of economic organizations formed during the year helped to improve the supply of the producers and consumers' needs. Enterprise business work partnerships, specialized cooperative groups, and small cooperatives are employing the greater and increasing proportion of the persons participating in the new types of economic organizations.

National income in 1982 increased by 1.5 to 2 percent, slightly faster than the planned rate, and its amount exceeded 670 billion forints. The growth of gross industrial production and the slowdown of nationwide construction and installation activity were essentially in accordance with the plan. The gross farm output increased faster than planned. The growth of national income occurred at a slight decline, by 0.5 percent, of employment in the branches of material production. Productivity rose at a faster rate than production.

In comparison with gross output, the proportion of productive consumption declined. Parallel with the expansion of production, the material branches of production consumed less energy than the preceding year. The population's

energy consumption increased. Within total consumption, the share of petroleum and its derivatives declined; that of natural gas increased.

In accordance with the requirements of economic equilibrium, the increase in production served the expansion of export. Domestic spending declined at the planned rate, by about 2 percent, and its amount--in contrast with years past--was less than that of national income. Among the principal items of domestic spending, personal consumption exceeded the 1981 level by about 1.0 percent. Due to the decline in the volume of investment and to the significant slowdown of the growth of inventories, accumulation was lower by 10 , 15 percent than the preceding year. Thus the proportion of accumulation was 16 percent of domestic spending, lower than the preceding year.

#### Principal Indicators of the Economy's Development in 1982

	Plan (in percent of 1981)	Report
National income	101-101.5	101.5-102
Domestic spending	98-99	98
Industrial production	102-102.5	102
Nationwide construction and installation work	98-99	99
Farm output	104-104.5	105
Per capita real income	100-100.5	100.5
Personal consumption	100.5-101	101
Socialist organs' investment, billion forints, at current prices	178-180	185.4

#### Industry

Industrial production was 2 percent higher than in 1981, including an increase of 1.9 percent in state industry and 3.9 percent in cooperative industry. The increase in production served predominantly the expansion of export. The transfer of industrial products for export increased to both principal destinations and, for both principal destinations jointly, was 4.9 percent higher than the year before. Sales by industrial enterprises and cooperatives were 1.3 higher for personal consumption, again 1.3 percent higher for productive consumption, but 6.9 percent lower for investment purposes.

The fierce international competition and the limited domestic demand affected the economic units differently, and their ability to adjust to the changing conditions also varied. Growth rates varied by sectors and enterprises.

The highest increases in output were in the food industry and in engineering. The output of most sectors within the food industry was higher than the preceding year. Among the largest sectors, the growth rates were the highest in meat, poultry and egg processing, and in the vegetable oil industry. Within engineering, the greatest increases in output were in the machinery and equipment industry and the instrument industry. Output was higher also in the other sectors of engineering, with the exception of the general metal goods industry where the output declined. The outputs of several industries were affected especially severely by the difficulties of exporting to capitalist markets. These industries include metallurgy, certain sectors of the chemical industry, and the clothing industry.

The product structure of industry was modernized and better adapted to consumers' needs. However, this process was slower than what would have been necessary: the rate of product change, and the intensity of product and technology development fell short of the requirements.

# Development of Production in Socialist Industry

	1982/1981 (percent)
Mining industry	101.4
Electric power industry	99.4
Metallurgy	100.8
Engineering	103.7
Construction materials industry	100.9
Chemical industry	101.8
Light industry	98.4
Food industry	104.4
Industry jointly	102.0

The supply of materials and energy was generally satisfactory. In the second half of the year, shortages did occur of certain imported materials and parts, from nonruble provenances. However, these shortages hampered the continuity of production within a relative narrow circle of enterprises.

Employment in industry dropped by 30,800 persons or 2 percent in comparison with 1981. The workforce in mining and the food industry was relatively stable. In the other principal sectors, employment declined. The decline was the sharpest in light industry and the construction materials industry. The output per employee rose in all principal sectors, and it was 4.1 percent higher than the preceding year for industry as a whole. The total number of man-hours worked was 6.4 percent lower than in 1981, due to the decline of employment and changeover to a five-day workweek. The output per man-hour rose by 9 percent.

Industry's stock of fixed capital increased further. A significant proportion of the investment projects served to ensure the supply of energy and raw materials. Construction was completed of the Soviet-Hungarian gas pipeline's Varosfold-Fiatabrozszma section. Capacity of the Halimba III bauxite mine increased by 44,000 metric tons in 1982, and construction was completed of the Bito II bauxite mine. At the Tatabanya Coal Mines, the Csordakut II mine that was opened as an enterprise-financed investment in 1982 increased the coal output by 100,000 metric tons a year, and with this addition the mine reached its full capacity. The capacity of the Tatabanya Briquet Factory was increased by 110,000 tons of pearl briquet per year. At the Veszprem Coal Mines, the Armin mine started production with a capacity of 200,000 tons per year. Trial operation of the No 1 generating unit at the Paks Nuclear Power Plant was begun in the last days of the year. The Csepel Pipe Factory's investment project was completed. The No 2 converter at the Danube Iron Works was placed in operation. The production of polypropylene film was begun at the Tisza Chemical Combine, with an annual capacity of 4,300 tons. A new nitric acid plant was commissioned at the Borsod Chemical Combine, with an annual capacity of 46,000 tons. Modernization of greenware production at the Herend Porcelain Factory was completed as an investment for the expansion of hard-currency export. At the Kaposvar Meat Combine, a meat processing plant with an annual capacity of 10,000 tons was completed. At the Haidu Megye Dairy Industry Enterprise, a new plant was completed that can process 200,000 liters of milk per day. Refrigeration capacity at the Oroshaza Poultry Processing Enterprise was expanded.

## Construction Industry

The nationwide volume of construction and installation work declined by 1 percent, essentially in accordance with the plan. The contracting construction industry's production volume was 2.9 percent lower than in 1981, while construction work by organizations outside the construction industry increased slightly. While domestic construction activity declined, the construction industry's export increased.

While the demand for construction work in capital construction slowed down, the proportion of maintenance and repairs within the output of the construction industry's contracting organizations increased. There was no significant change in completing construction on schedule, and in the quality of construction work.

Employment in the contracting construction industry declined by 4.7 percent or roughly 15,000 persons. Output per employee increased by 2 percent.

During the year, 75,550 housing units were completed, slightly fewer than planned. One-fourth of the housing units built were state-financed, the rest were predominantly private dwellings built with state aid.

## Agriculture, Forestry

The farm output exceeded the previous year's level by 5 percent and was higher than what the annual plan had called for. The output increased by 6 percent in crop production and by 4 percent in livestock production.

The 1982 grain harvest was 14.8 million tons, 15 percent higher than the previous year. The wheat harvest increased by 25 percent; and the corn harvest, by 14 percent. The average wheat yield was 4.39 tons per hectare, 10 percent more than in 1981. The average corn yield was a record 6.85 tons per hectare.

In comparison with the preceding year, 14 percent more sugar beets and 7 percent less sunflower seed were harvested. The sugar content of the sugar beets was lower than in 1981. The volume of field-grown potatoes harvested was 12 percent lower than in 1981, due to a reduction of the potato acreage. With the garden-grown potatoes, however, the population's demand can be supplied even so.

The acreage of field-grown vegetables declined by 11 percent, while vegetable production in gardens expanded further. The total vegetable crop was the same as the year before.

Fruit production increased over the previous year. More than 1.2 million tons of apples was harvested. After the poor grape harvest in 1981, there was another bumper crop: 960,000 tons of grapes were harvested, with a record average yield of 6.4 tons per hectare.

At the end of 1982, the hog population on the farms numbered 9,035,000 head, an increase of 9 percent over the previous year. Within this population, also the number of brood sows was outstandingly high. The cattle population declined somewhat, to 1,922,000 head at the end of the year. The sheep population at the end of the year totaled 3.2 million head, 60,000 more than a year earlier.

The production of slaughter animals increased by 5 percent over 1981 and approximated 1.2 million tons. The output of all the more important species of slaughter animals rose.

Milk production increased by 1.6 percent over 1981. Eggs and wool were slightly higher than the volumes produced the year before.

Also in 1982, the nonagricultural activity of the large-scale farms increased faster than their basic activity. In conjunction with this, the annual average employment on large-scale farms increased by about 29,000 persons.

Among the major types of farm machinery on the large-scale farms, the number of tractors, harvesting combines and trucks remained practically unchanged. On the whole, due to replacements, mechanical traction capacity increased, reaching nearly 8.5 million kW at the end of 1982. Energy management developed favorably in agriculture, and the consumption of liquid hydrocarbons declined.

Quantities of manufactured fertilizer were up by 5 percent over the preceding year, and thus the average consumption was 236 kg of active ingredient per hectare.

Logging in forestry exceeded 8.0 million cubic meters, an increase of 1 percent over the preceding year. Because of the limited investment possibilities, the afforested acreage was less than in 1981. Reforestation increased by 7.8 percent.

#### Water Resources

In the management of water resources, the volume of products and services increased somewhat faster than planned. The capacity of public waterworks increased by 2.1 percent, and the number of persons supplied piped drinking water increased by more than 100,000, and thus their proportion within the total population rose to 78 percent. The number and proportion of persons living in areas with public sewer systems remained practically unchanged. Sewage-treatment capacity increased by 4.8 percent. Flood dikes in a total length of 30 kilometers were built.

#### Transport, Communications

In the transportation, the performance of the transportation enterprises declined by 2 percent. This decline stemmed from the lower demand for freight transportation, predominantly internationally and to a lesser extent at home. Primarily railroad transportation was affected. The performance in trucking and pipeline transportation increased slightly. The number of intercity passengers dropped by 1 percent. The number of passengers traveling by train continued to decline. The number of passengers traveling by bus approximated the 1981 level. In municipal mass transport the number of passengers increased by 1 percent. More passengers traveled by streetcar, and more by subway and buses than in 1981.

During the year, the railroad placed in operation 39 electric and diesel locomotives, 10 passenger coaches and 518 freight cars. Tracks totaling 337 kilometers were modernized, 99 kilometers were converted to electric traction, and automatic block signals were installed on 120 km of track.



Public mass transport was improved, among other things, by placing 1170 buses and 35 trolleybuses in service. During the year, 97,000 new cars were sold. By the end of the year, the total number of cars was close to 1.2 million, of which more than 1.1 million were privately owned. Development of the highway network continued. The 22-kilometer Bicske-Tatabanya section of the M 1 expressway, the Felszabadulas Road intersection of the M 3 expressway's Budapest approach, the new southern lane of Arpad Bridge, and the Florian Square overpass were placed in operation.

The number of main and extension phones in service increased by 41,700, including 12,500 residential telephones. The capacity of the Budapest telephone exchange increased moderately, while the capacity of the provincial telephone exchanges was expanded considerably. Seventy-eight percent of the subscribers are able to dial directly their domestic long-distance calls.

Employment in transport and communications was down by 1 percent in comparison with 1981. Total fuel consumption, and fuel consumption per unit of performance dropped slightly at the transportation enterprises.

#### Foreign Trade

The volume of import in 1982 remained unchanged, and the volume of export increased by about 7 percent over 1981.

Inter-forming cooperation with the socialist countries showed further gains. The volume of ruble-denominated import increased by 3 percent; and the volume of ruble-denominated export, by 4 percent. Trade in finished industrial goods expanded significantly, in both import and export. In addition, trade in parts and unfinished products increased in import, and trade in farm and food-industry products rose in export. Imports of raw and basic materials were down in comparison with the preceding year. The rise in import prices was higher than in export prices, therefore the surplus import was greater than in 1981.

Import from the developed capitalist countries declined, while the export to these countries rose. In trade with developing countries, both import and export rose substantially. The combined total hard-currency import was less than in 1981, and total hard-currency export was significantly more than last year.

As for hard-currency import, the importation of materials--mostly of raw and semi-finished materials, which jointly account for a large share--and of semifinished products dropped. The importation of farm and food-industry products dropped substantially, but less was imported also of industrial finished goods. Materials and food-industry products played the decisive role in the expansion of export. Exports of complete plants and installations, vehicles, instruments and telecommunications equipment rose vigorously. Among the food-industry export products, the expansion of export occurred in meat and poultry products, which comprise the most significant item, and also in canned fruit, vegetables, and vegetable oils. Exports of materials to this principal category were at the same level as in 1981, but exports of industrial materials is increased. As a result of the expansion of export and curtailment of import, an export surplus developed in spite of the worsening terms of trade.

## Investments

Investments by socialist organs totaled 185.4 billion forints, 2.6 billion more than in 1981. The volume of investments dropped by 2 to 3 percent, which was less than what had been planned.

At current prices, outlays for state investments dropped by 1 percent, as planned. Three new large-scale investments were started in 1982. During the year, 10 of the 23 large-scale investment projects under construction were completed, the rest were placed in partial operation.

The volume of enterprise investments was about 3 percent higher than the pre-1981 level. The central measures adopted during the year curtailed purchasing power on the investment market, the growth rate of enterprise investments slowed down, but total outlays during the year were higher than planned.

The volume of investments in progress increased during the year, and the investment projects' average degree of completion declined.

Reduction of the investment volume occurred under a selective investment policy.

In 1982, state aid and preferential credit conditions were provided for investments that served to conserve energy, utilize secondary raw materials, develop light industries, and expand hard-currency export. Larger sums than had been planned were allotted to develop the exploration, production, transportation, storage and distribution of hydrocarbons, the network of granaries, the public-utility networks, mass transport, grade schools, kindergartens and day nurseries.

## Population, Demographic Changes, Employment

In January 1983, Hungary's population numbered 10,700,000 persons, 10,500 fewer than a year earlier. Live births in 1982 totaled 133,600, down by 9,300 in comparison with 1981. The cause of this drop is a further decline in the number of women of childbearing age, between 15 and 49, and also that fewer women in this age group want children. The number of deaths in 1982 totaled 144,100, somewhat fewer than the previous year. The infant mortality rate dropped further to 10.7 infants under 1 year of age per 1000 live births, as compared with 11.6 in 1981.

In January 1983, the total number of persons gainfully employed was 4,992,000; in comparison with the year before, this represents a drop of 10,000 persons or 0.2 percent. This drop occurred essentially in the category of workers past retirement age. The number of persons of work age who are gainfully employed has not changed, while the age group itself has become smaller.

Employment declined by 21,900 persons in the material branches of production, but increased by 13,600 in the other branches. Within the material branches, the decline in employment was the most significant in industry and construction, while employment declined to a lesser extent in transport and communications. Employment in domestic trade and in the management of water resources remained essentially unchanged. In agriculture, employment rose as a result of the expansion of supplementary activity.

Transition to the five-day workweek was completed in 1982 in the economy's socialist sector, with the exception of agriculture. Simultaneously, a new system



of vacations was introduced, increasing the number of vacation days a year to which a worker is entitled.

#### Personal Income, Consumption

The average monthly pay per worker and employee, including supplements, was 4,970 forints. Nominal pay was 5.6 percent higher than in 1981. On cooperative farms, nominal average earnings from joint farming increased by 6.2 percent, to 4,490 forints per month.

Cash social incomes increased by 9 percent, to a total of approximately 102.5 billion forints. The total amount of social benefits in kind--health care, education, cultural services--also increased.

Pension payments totaled 69 billion forints, 12 percent more than in 1981. The higher total can be attributed not only to the 2-percent increase and 100-forint supplement, but also to the fact that the number of retired persons rose by 45,000 to a total of 2,176,000, and the pensions of the new retirees are higher. The pension supplement for retirees with low pensions, given to offset the rise of consumer prices during the year, also contributed to the increase to a small extent. The average monthly pension plus benefits per retiree was 2,660 forints in 1982.

A total of 15 billion forints was paid out in family allowances in 1982, an increase of 2 percent.

At the end of 1982, 233,000 mothers were receiving child-care aid, 8,000 fewer than in December of 1981. Payments for child-care aid totaled 3.5 billion forints, slightly less than in 1981.

On the basis of the higher total income, which includes earned income and social income, and of the 6.9-percent rise of the consumer price level, the per capita real income was about 0.5 percent higher than the preceding year.

Total personal consumption increased by 1 percent. The retail turnover exceeded the 1981 level by 1.1 percent. Sales of food and gustatory products increased by 0.5 percent; of sundry industrial goods, by 2.7 percent; but sales of clothing declined by 2.4 percent.

The net increase in savings deposits during the year was 15.7 billion forints. The balance of savings accounts on 31 December was 175.7 billion forints.

#### Health Care, Education

The personnel and institutional conditions of health care showed further improvement in 1982. The number of doctors per 10,000 population rose over 30. The number of hospital beds increased by 1,500. The number of new general-practitioner and pediatrician districts was 78. The proportion of vacant district physician positions declined.

Day-nursery capacity increased by 2,200 cribs. At the end of 1982, the number of cribs in day nurseries totaled 70,000.

Kindergarten capacity increased by 6,800 places, reaching a total of 408,000, while the number of children of kindergarten age declined. Of the children in this age group, 84.2 percent attended kindergarten.

The number of students enrolled in grade school during the 1982/1983 school year increased by 31,000. Of the students leaving the eighth grade, 90 percent are continuing their studies, including 43 percent in secondary school and 47 percent in apprentice schools and vocational schools. In comparison with the preceding school year, enrollment increased in full-time study at both the secondary and the vocational schools. Last year, 68,300 students passed their secondary-school final examination; 44,400 of them were full-time students.

Total enrollment in higher educational institutions is 100,600. Enrollment in full-time study is about the same as the preceding year, but enrollment in correspondence courses is down. The nation's higher educational institutions awarded diplomas to 25,400 students, including 14,500 enrolled in full-time study.

The number of grade-school classrooms increased by 1,600. The average number of students per class dropped slightly. The number of grade-school teachers increased by 2,700, to nearly 81,000. There are 16,400 secondary-school teachers, 400 more than in the preceding school year.

Social care for students improved. Among grade-school students, 41.6 percent obtained day-time homes, in comparison with 39.9 percent in 1981. The proportion of vocational-school, college and university students living in students' dormitories increased. The total amount paid out in scholarships increased by 10 percent.

#### TRAVEL

In 1982, 12 million foreigners visited Hungary, 34 percent fewer than in 1981. Three-fourths of the foreign visitors were from socialist countries.

Twelve million of the foreign visitors were tourists staying longer than 24 hours. Their number likewise dropped. The average length of stay, and the average amount spent per tourist increased, thus income from foreign tourism was 7 percent higher than the previous year.

The number of Hungarian citizens traveling abroad was 3.9 million, a 39-percent drop. Of these citizens traveling abroad, 88 percent visited socialist countries. Total expenditure by Hungarians traveling abroad was slightly higher than in 1981. The surplus in the balance of income and expenditure in conjunction with foreign tourism was higher than in 1981.

The number of beds in commercial accommodations increased by 10 percent during the year. Hotel capacity increased by 5,100 beds, including 4,500 in Budapest. The number of other accommodations--tourist hotels, camps, lodges, inns, and restaurants--increased by 25,000 beds.

YOUTH PREFERENCE FOR WHITE COLLAR JOBS UNBALANCES LABOR FORCE

Budapest NEPSZABADSAG in Hungarian 9 Feb 83 p 3

/Article by Sandor Ambrus: "The Work and Life Style of Those Beginning Their Careers"/

/Text/ The work and life style of young people beginning their careers were given special attention at the 10th Congress of the KISZ and at the 1981-1982 youth parliaments. At these forums the delegates formulated as a requirement that there was a need for a comprehensive situation analysis, a disclosure of of tensions appearing for different strata and the recommendation of solutions the realization of which might ease or moderate the causes of the tensions.

Colleagues of the economic policy and special interest representation departments of the KISZ Central Committee prepared a report about the life and work styles of those beginning their careers which is now being debated by the stratum councils and other youth forums.

Career Choice--and Placement Possibilities

It appears from this report that 93 percent of those finishing general school continue their studies (this was 82 percent in 1972); 46.1 percent of the young people go on to secondary schools, 44 percent go into skilled worker training schools and 2.9 percent go into other special schools. Ten percent of the young people take part in higher education. There are problems in the area of employment and getting a job after completion of their studies. For example, an ever greater proportion of young people beginning their careers are leaving school with training which directs them primarily toward white collar, intellectual occupations. At the same time, the manpower needs of the economy are directed, to a significant degree, toward physical jobs, and this will not be otherwise in the future. Thus, even today, the placement possibilities do not orient career choice to a sufficient degree. This is a source of tension, just as is the fact that some of the young people starting work--an average of 10,000 per year--do not work at jobs corresponding to their degrees.

In 1981, 130,000 young people started work. The 14-29 year old age group now numbers 2.7 million; 1.7 million of those in this age group have their work books and are working. The nature of their first experiences with work is

not a matter of indifference to the young people, or the economy. Thus it was not without cause that the Council of Ministers decreed that the enterprises, institutions and farms hiring young people should pay special attention to their young colleagues, beginning their careers and adapting themselves, for 5 years. The decision was well founded and logical, but despite this the experiences thus far are unfavorable, as those preparing the report justly established. This may be because the leaders of the work sites do not feel directly their economic interest in a worthy execution of the resolution.

The problems of employment, of starting work, are different for different strata. The physical workers are not interested in filling the direct production guidance sphere which represents the natural promotion for them. The problem of the skilled worker students is not a lack of jobs but rather that there are, even today, trades in which it is difficult to get placed. The gymnasium students, especially the girls, cannot get jobs in administrative work, or can do so with ever increasing difficulty. Those finishing higher education--physicists, biologists, lawyers--are in a similar situation in some areas.

The administrative personnel reductions have had an unfavorable effect on those beginning their careers. In most cases the employers choose the most obvious solution; namely, they do not hire young people to replace those retiring. The reduction in personnel and the changes in the production structure affect primarily the young, and especially those of them beginning their careers. Thus it is understandable that at various forums and in debates at various levels they do not accept the statement set forth in the debate material according to which the situation of young people starting their careers has improved as a result of our social and economic development. In their opinion it has not improved, or the improvement is relative.

#### Facts and Contradictions

It is necessary to take realities into consideration not only at times of evaluations but also when formulating the facts. It is a fact that up to the middle 1970's, primarily, the living standard of the population, and of the youth therein, increased significantly. But it is also a fact that in recent years the stagnation or narrowing in the quantity of the goods intended for distribution has had a stronger effect on young people. Even when filling the same job, for example, the earnings of young people are set at the lower limit of the wage scale while those of older people are set at the upper limit, while establishing a home and starting a family are problems primarily for the young. In 1981 the average wage of those beginning their careers was 2,700 to 3,000 forints. The largest difference, according to age, can be found among young people with higher education degrees. They reach the average earnings of their stratum at the age of 45 years--after 20 years of work. In the course of the debate a number of people have emphasized that we must face the fact that, for example, the magnitude of wage increases is influenced by the time spent at the job, the size of the pay and the position occupied in the place of work hierarchy, in addition to performance. At the same time, the possibilities for earnings in addition to the base wage are linked to the size of the pay, so earnings in addition to wages are smaller for the young people getting less pay.

Also worthy of note is the finding of the report according to which young people returning to their jobs from military service frequently continue their work at a considerable earnings disadvantage--in opposition to the valid regulations. This also influences the income level. At the beginning of the 1970's the per capita income of young families was 90 percent, as compared to the national average income. This fell to 80 percent by the beginning of the 1980's. And in the meantime the material burdens of raising children had increased also. The per capita income level of families with two children fell to 75 percent, that of families with three children to 65 percent and that of families with more than three children to 50 percent.

Knowing the situation of our economy it would be an obvious solution for the young people to take a larger part in the supplementary economy. True. But this is made difficult by the circumstance that they do not have the professional knowledge to do so, or they lack the contacts and the necessary material background. Thus the young people can obtain less than the average income from the supplementary economy also.

Finally, when we analyse the living and working conditions of young people beginning their careers we should not forget the establishing of an independent home either. Three quarters of the young people get married when their housing situation is unsolved; 51 percent of young married couples live as family members with parents or relatives and 11 percent sublet housing. Their housing situation improves after years of marriage. In the third year of marriage 40 percent live in their own housing; 6 years after getting married 70 percent do. The regulations connected with housing management are reassuring, but many young people do not see any guarantee of phased housing access. Nor can they build housing on their own--without parental help.

#### A Solution, Only on Realistic Foundations

The Hungarian Communist Youth Federation must soon take a stand in this question, significant from the viewpoint of social policy, because it is important, from the viewpoint of the present and future of society, that the fitting in of young people be as free of shocks as possible, that they make good use of their creative energies and ambition as soon as possible. Those beginning their careers today grew up in an age in which the living conditions of families improved at a swift pace as a result of social-economic development. But at the same time, the demands increased also--sometimes to an exaggerated degree.

So the conflicts can be solved only on realistic foundations. Naturally this does not mean that there would not be need for further measures to improve the living and working conditions of those beginning their careers, to reduce the relative backwardness. This includes the fact that there should be harmony between education and manpower demand, because only in this way will young people be able to place themselves in accordance with their training. The fitting in of those beginning their careers must be watched, as is prescribed, so the economic leadership must be made more interested in this work. There is need for modernization of the wage system also. If we want to help and encourage young people building housing on their own then, for example, initial steps are needed to maintain the real value of savings, to better coordinate price and interest policies also.

All these are only a few examples chosen from among the proposals formulated by young people in the course of the debate on this theme and in the analysis of the carefully prepared report. Formulated by young people who not only want to call attention to the problem but who also regard a solution of it as their task.

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## NEW PROGRAMS TO TRAIN BUSINESS MANAGERS

Budapest NEPSZABADSAG in Hungarian 8 Feb 83 p 3

[Article by Ferenc Nemes, academic director, National Management Training Center: "Renewing Management Training"; passages in slantlines appear italicized in original]

[Text] The basic goal of management training is to enrich the knowledge of managers, to shape their perspectives and conduct, and to give them a capacity for flexible accommodation to changing circumstances. Changes appear primarily in the positions occupied by companies in various markets, both here at home and in the world economy. We are well aware that the conditions of competition are increasingly severe in both the capitalist and the socialist markets. This puts greater demands on our firms than before, for more painstaking organization, flexible behavior, and the readiness and capability to adapt. All of this requires modern management readiness in a wide field.

From time to time the development of the economic management system induces significant changes in planning, organization, management, and control which necessarily are accompanied by, and require the acquisition of, new managerial and organizational forms, and the employment of new solutions.

It is here necessary to also mention the consequences of changes taking place in the structure of the organization of the economy. The new forms of economic organization require new types of managerial behavior. Institutional management training must assume an important role in the shaping and proliferation of these new types of managerial behavior.

### Requirements

The main responsibility of the domestic management training system which evolved during the late 60's was the rapid mastery of experiences acquired in connection with the reform of the management of the national economy. Due to the extensive nature of the economy, the main task of management was to ensure continued quantitative growth. This could be sufficiently satisfied by learning the altered "game rules" of management, because replenishable resources were more or less available.

In our present circumstances, growth is only imaginable if we derive it from /existing resources./ What does this mean from the point of view of requirements facing managers? First of all, it means that the manager /must husband the resources at his disposal effectively./ More concretely, the manager should be performance oriented; that is, he should not just ask, but he should take the initiative, and he must align individual and company interests; he should be objective in his decisions, and his impartial work should be characterized by perseverance. He should be able to influence and convince others, nurture their trust, and keep awake the spirit of cooperation and teamwork.

As a result of extensive studies, the requirements we have just begun to recognize here at home, have appeared and are routinely incorporated in management training systems and programs elsewhere. Studies conducted among managers of the one hundred largest Swiss firms and among middle level managers in five large American corporations, have borne out that the most important requirements facing managers are: flexibility, the ability to adapt, assertive conceptual ability, thoroughness, participatory leadership, perseverance and agility. The goal of management today is to take successful anticipatory action. The slogan on the banner of leadership reads: "Better to act, than to react."

The requirements mentioned above, which have also appeared in our domestic experience, induced our management training system to break with traditional types of teaching, and to look for more effective new forms and methods.

#### Training Forms

One of these modern forms is post-graduate training attached to the higher education system offering managerial knowledge. It ensures a theoretical preparation and the acquisition of practical knowledge based on it. The other is the process of direct cadre recruitment to company-state directorates, during which working managers are trained to fill even higher level managerial positions.

The third training form consists of institutes for the continued instruction of company managers and for the management of the national economy. They equip their participants with up to date managerial knowledge within the framework of a few weeks of instruction. The ever more widely used continued training forms are support components for specific managerial functions (decisionmaking, organizing, control)--that is, they point to ways for in-depth processing of a specific organizational problem type. (These are goal definition courses, conferences, problem solving seminars, roundtable discussions, experience sharing sessions, directed self training programs, etc.) From among these, I would like to pick out /the goal definition courses/ as a training form, which in the course of a few days, works out a well-defined subject area giving immediate answers, solutions, and methods for solving problems. Because of their goal oriented nature these are quite popular--and are always oversubscribed. Undeniably, there is a need for types of training and continued training, that in a short time, can teach theoretically based effective and practical solutions which can be adapted to a variety of situations.



These days the strengthening of collective entrepreneurialism among company workers is accompanied by the growth of interest in training forms which provide preparation for the cooperation of the individuals in mixed work groups (composed of managers, workers, and other employees); training forms that can implement and facilitate "team work".

The methods used play no small part in the success of the training. Subsequent successful application of a specific bit of information also depends on whether we communicated the most appropriate solutions at the time of teaching. Depending on what the training's goal is, the quantity of information to be conveyed, how new it is, what the audience is like, the composition of participants, etc., various types of didactic methods can be employed in the training.

For example, the initial phase of our domestic management training offered systematic managerial fundamentals to working economic managers. A lecture format seemed most on target for this. Later, however, when practical applications of the lecture material assumed priority, the working out of realistic management problems through case studies and leadership games came to the forefront.

#### New Methods

Today, however, when corporate and managerial independence are even more forcefully displayed than before, management training also requires methods offering the possibility for increasingly individualistic acquirement of the managerial profession's techniques. While the lecture format is built on audience capacity for passive consumption, /role playing scenarios/ assume that there is already a certain degree of activism among the managers. Today's managerial game-playing and training formats can only exist by virtue of the total participation of those present. The essence of these methods is therefore: today managers are no longer taught; managers learn.

This is exemplified in our domestic management training system by wider acceptance of a computerized corporate management game in which the game players simulate an actual economic setting for their decisionmaking. The game provides opportunities for experimentation, incentives to search for correlations, and it develops the ability of participants to reckon with the consequences of their decisions in advance. Each group participating in the game consists of a few individuals. The groups each represent the management of modern companies in competition with one another. The /"company management"/ collective often makes decisions regarding: the company's work force and wage regulation, the programming of production, the distribution of products on various markets, price determination, advertising, investments and research. Their decisions are evaluated by computer. The company management collective's task is to adjust to market demands within given conditions and with the means available, while operating their company with the greatest possible efficiency. The decisive factor in evaluation of the competition is the capital assets of each individual company at the end of the game.

Another modern method is /managerial ability development training./ It is not designed on the assumption of a "smart teacher" and an "information hungry manager" (as student). This kind of training emphasizes cooperation between members of the managerial collective. Active participation allows students to creatively shape the subject's contents. The training method shows the capacity for cooperativeness; and within this, an analysis of the prerequisites for cooperation. It furthers the better knowledge of co-workers, as well as the development of the ability to know one's self.

One important condition for instruction, alongside modern training forms and methods, is the careful selection of the teaching circle. Well-known university professors, acclaimed experts, and successful company managers, must all be given roles in the instructional work of management training and continued training. The successful manager's personal example and the results of his fruitful work are multiplied as soon as he emerges from his narrower corporate milieu and develops a teaching relationship with the wider strata of other leaders.

12133

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## NEW MANAGEMENT SYSTEM IN INDUSTRY SUMMARIZED

Budapest MUSZAKI ELET in Hungarian 20 Jan 83 p 5

[Text] On 5 January, Minister of Industry Lajos Mehes lectured to enterprise directors on the tasks in industry. In addition to the brief reports in the press, some portions of this lecture deserve more detailed coverage.

Besides reviewing the 1982 results and the tasks for this year, Lajos Mehes did not omit also sensitive questions that occasionally are causing controversy. Thus he discussed relations between large socialist enterprises on the one hand, and the small enterprises and private businesses on the other, the unprofitable enterprises, and the changes in conjunction with the appointment, evaluation and replacement of managers.

## Enterprise Business Work Partnerships

On this occasion let us single out from this topic a single factor, the system of incentives. To this day the system of incentives remains perhaps the strongest motive force behind the development of business work partnerships within enterprises, because it is possible to pay for higher performance only in this roundabout way. And this is even the better case. For at some enterprises the business work partnership is nothing other than a more advantageous way of getting overtime. Thus the backlog, instead of declining, tends to increase. According to the minister, the solution lies not in curbing the spreading of this process, rather in seeking suitable methods.

In recent years, we have been getting acquainted with the concept of the unprofitable socialist enterprise. (Lajos Mehes: "Regardless of how long we search the classical Marxist literature, we do not find any answer as to how this problem can be solved under socialist conditions . . . . Perhaps some of our measures would not meet with the approval of our great teachers, but we believe that decisive action to liquidate losses is better than to look vacantly into nothing and to maintain the unprofitable activity, at the expense of other activities.")

Incidentally, there are at present about 40 to 60 industrial enterprises whose efficiency is low, with inadequate capital assets, and perhaps operating at a loss. This could affect 10 to 15 percent of the total number of workers. In the opinion of the ministry, the uneconomical activities can be liquidated primarily through enterprise measures. There is no sure prescription. Perhaps some part of the production must be discontinued, the workforce must be reduced, or organizational changes are necessary. Or even the enterprise directors have to be replaced.

## Appointments and Dismissals

With this we have arrived at one of the most controversial issues in recent years, the position of cadre work. First of all, consider an edifying series of data. Up to now there have been 941 workers in higher positions whose appointments lie within the direct competence of the Ministry of Industry. During the past two years, there have been 206 changes within this category. Which means that one-fifth of the top managers have been replaced. (Lajos Mehes: "When I first read this figure, I too was surprised and asked myself what was actually happening here.")

What, then, following happened. Ninety-four managers retired, which accounts for nearly half of the changes. Nearly 30 percent of the retirees received decorations, and some of them continued to work at their enterprise or elsewhere. Thirty-seven managers were promoted or transferred to other work, in the interest of the economy. Thirty-three managers were assigned to other, mostly managerial, positions because of reorganization. Eighteen voluntarily requested re-assignment, and four died.

There were also "real" dismissals, in 10 percent of the changes. The causes of dismissal were ineptitude in 16 cases, and disciplinary action in four instances.

## Enterprise Vacancies

It will be worth while to examine who replaced the ones who left. The majority, about 70 percent, of the new appointees had worked previously at the same enterprise. About 10 percent had worked previously at other enterprises within the same ministry of industry, and about 10 percent traded there social or political functions for a management position in industry. Two-thirds of the new managers are men, and one-sixth of them are under 40. From the viewpoint of educational attainment, 70 percent are engineers, economists or economic engineers. There is a lack of sufficient experience to evaluate their work, but in general it can be said that they have come with fresh ideas and plans to modernize.

There is an approved phrase that managers must meet higher requirements than in the past. But the minister of industry gave specifics: the system of advertising vacancies and appointments for a fixed period of time must be introduced. Great impartiality and objectivity can be expected from both measures.

## Participation in Decision-Making

These concepts have already appeared in 1983 in enterprise management. (Lajos Mehes: "The objective is to increase enterprise independence and to facilitate enterprise decision-making. But it should be emphasized that these changes will not affect the conditions of ownership.")

As a result of this change, the authority of the boards of supervision has been increased to such an extent that at many enterprises these boards will take over the financial control from the ministry. They will review the enterprises' financial statements, but without decision-making authority. Authority to make decisions will rest with the enterprise director, and he must bear the consequences of his decisions.

Another novelty at the enterprises is the management committee. The important change is that the management committees may be vested with decision-making authority. The members of the management committee are the top managers of the enterprise, the managers of the factory units, the enterprise's outstanding experts, and the workers' representatives. Where the management committee has been granted decision-making authority, it makes all the decisions regarding business strategy. Thus those who implement business strategy have a greater role in deciding strategy, greater interest in the decisions, and also greater responsibility for the decisions.

At the mentioned conference, Lajos Mehes had this to say regarding these questions: "The changes will be effective only if the enterprises' internal system of management is modernized, if also the managers within the enterprise are given a greater role, if the flow of information reaches everyone involved in decision-making, and if as many persons as possible are given an opportunity to meaningfully participate in making the decisions."

BANK OFFICIAL PRAISES RESOURCEFULNESS OF AGRICULTURAL SECTOR

Budapest FIGYELO in Hungarian 10 Feb 83 p 11

[Interview with Dr Gyula Pales, deputy president of the Hungarian National Bank, by Peter Bonyhadi: "Prudently, With Little Money"; date and place not specified]

[Text] A plan may be based on the most accurate calculations possible, but in agriculture--where the open sky is the roof over the shop--very many unpredictable factors can upset the expectations. However, agriculture fulfilled its plan also in 1982, and this cannot be attributed solely to good weather. Peter Bonyhadi, a member of our staff, interviewed Dr Gyula Pales, deputy president of the Hungarian National Bank, about the background of the results.

[Question] In the light of the 1982 results, what do you regard as the greatest virtue of the large-scale farms?

[Answer] Ability to adjust! The unfavorable price impacts of the world market, and the regulation system's very specific elements that serve and, we might say, even compel efficiency have fallen on fertile soil in the broadly interpreted innovative ventures of the state and cooperative farms. Admittedly, this also required that agriculture, in the previous plan periods, establish the production and capital assets base that enables it to adjust rapidly, even though the long production cycle in agriculture makes such adjustment very difficult.

[Question] Could you cite some examples of adjustment?

[Answer] One example of adjustment in energy conservation. Agriculture took advantage of the many opportunities and means to develop energy-efficient production processes. We may regard as good examples of adjustment the diverse forms of integrating small-scale farming into large-scale farming, or the expansion of industrial production and services that provides socially very useful employment for the available manpower. Very important is also the fact that many agricultural cooperatives and state farms, by consistently reconciling their interests, pooled their assets to establish significant new processing capacities.

[Question] How were you able to support this? After all, the bank's allotment for lending falls short of the farms' credit demand.

[Answer] There was a time when the money ran out, and we had to close shop. But we were able to shorten this period. Even though there was not enough money,

we were always able to provide credit for novel and innovative investment projects, by ranking the credit applications according to priorities.

[Question] Going back to our point of departure, could you illustrate in somewhat greater detail the farms' ability to adjust?

[Answer] The large-scale farms have rid themselves of a number of prejudices. For example, that there are branches of farming which are feasible only on a large scale. As the opportunities for financing became more limited, the large-scale farms strived increasingly to cut their expenditures. Recently the chairman of the Dozsa Cooperative in Szarvas was here, applying for credit to lease their cows with small-scale farmers, instead of building a new barn. The cow will remain the property of the cooperative, but it will be kept, cared for and milked in the farmer-entrepreneur's barn. Naturally, the cooperative will conclude contracts with the entrepreneurs. This arrangement will be advantageous for both parties. But what is very important for the cooperative is that in this manner it is able to alleviate the shortage of investment resources.

Remembering the exaggerated publicity that the so-called problem of the "change of generations" had received, we were surprised to hear that even young people are willing to keep cows. Up to now we have not been able to hear much about similar arrangements in raising cattle, but it is certain that many interests have been triggered that will break through the framework of large-scale farming and will utilize in production also the workers' leisure time.

[Question] In your opinion, what reserves can agriculture utilize by operating in a new manner?

[Answer] As far as the utilization of reserves is concerned, I think that agriculture is still at the very beginning. This is not the state treasury's optimism. Visiting the farms and talking to farm managers, we hear of ever-newer ideas almost daily.

There are, of course, also problems, and it is a good thing that the experts are discussing them with increasing frankness. One such problem, in my opinion, is the state of the stock of farm machinery. Admittedly, agriculture has always experienced investment plans. For this purpose we also gave more export-expansion credit than had been estimated originally. I wish to note, however, that had agriculture fallen short in the fulfillment of its investment plan, then not only would we have exported less, but even the harvest would have been a problem, because there were not enough machines in operating condition.

And if farm-machinery prices continue to rise at the present rate, these problems will multiply, because of the limited investment possibilities. Investment has been stagnating in real terms since 1975, and we have not yet examined thoroughly, for example, how fast is our stock of farm machinery wearing out, and whether we will be faced within a short time with the need of replacing farm machinery on a large scale. Although some progress is being made this year, I still regard as a problem the operation of the system of distribution that determines the relations between cooperative-farm members and state-farm workers on the one hand, and their enterprises on the other. And it is very timely to eliminate also the monopolistic interests that appear to be hampering commodity trade in farm and farm-industry products.



question. In this situation, what possibilities do you see for increasing farm production?

Answer: When there is not enough money, it is necessary to rank the agricultural investments on the basis of their priorities. Instead of costly building-investments, attention must be focused on purchases of machinery that serves production directly. And the farms should rely primarily on their internal resources. It is an erroneous and dangerous practice that the farms are spending their own resources on things for which we do not and cannot provide credit. When their money runs out, they then come to us to finance investment projects that we regard as important and support with credit. Until our allotment for providing credit becomes exhausted.

The incomes of the large-scale farms are increasing year by year. In the present situation, this cannot be accompanied by the expansion of the allotment for investment, because the objective forced on us is to curb investment. Moreover, the system of regulation is striving to absorb the increase in the farms' income. This of course has its limits, because the farms must not be allowed to grow so fast that it is not worth their while to generate more income, since the additional income will be withdrawn by the state.

Question: But how can this contradiction be resolved?

Answer: On the one hand, withdrawal of income must truly limit the opportunities for investment. On the other hand, the prospects of investment and entrepreneurial activity must be created on every farm and at every processing enterprise so that business opportunities exist. For entrepreneurs unable to compete, this truly means a restrictive financial policy. But for ventures that are good enough to compete on the yardstick of the international markets, this presupposes a financial policy that is as active as possible. Here we must "give the engine more fuel" and provide the necessary financial resources.

Question: What actual possibilities are there for linking the withdrawal of income and investment development?

Answer: Bank resources also are available for this purpose. At present the bank's interest regards only loans repaid before they are due as additional resources that the financing bank organ may use for lending. This stems from the one-time withdrawal approach to the regulation of purchasing power.

Prepayment is a feasible solution if it is motivated by economic interest, and not by administrative compulsion. The bank agrees with the large-income farms that they will repay their credits ahead of schedule. On the one hand, this saves the bank money. On the other, the farms save the interest that otherwise they would have to pay. In specific instances, the interest saved could amount to the equivalent of a smaller investment credit. The money repaid before it was due is then available to the bank to provide credit, without having to increase the amount of its own credits. All this in itself, however, is not enough.

The prepayment will be complemented as widely as possible by a reform of attracting savings and other savings. Depositors must be given an incentive to maintain their deposits, for the purpose of subsequent investment. And the bank should be allowed to take the net inflow of savings into account in its loanable resources. The inflow of savings could become an expression of confidence in the

bank and in the effectiveness of financing. Savings, supplemented by special-purpose capital stock, contributions, KTA [mutual aid fund] money, etc., could strengthen the social basis of democratic interest relations, of participation in business ventures. Through the extensive application of fixed deposits we could influence the concentration of resources for the objectives most advantageous from the viewpoint of society. In the same way we should use the issuance of bonds to increase the resources available for providing credit.

Incidentally, these are possibilities that would not require radical changes in the banking system, whose effectiveness is confirmed also by the results in agriculture.

[Question] How will all this affect investments for the expansion of export?

[Answer] As favorably as possible. Agriculture has fulfilled the commitments it undertook in conjunction with credits for the expansion of export. The 6.0 billion forints of additional export that was estimated in conjunction with credits for export-expansion investments has been exceeded considerably in agriculture. In other words, the bank invested the money at the right place. In view of the fact that the import demand of agriculture's development is below average, we are striving to participate as actively as possible in financing the production of products salable profitably on any market. If the gross income of a state farm or agricultural cooperative increases from advantageous export and efficient production, and its investment increases commensurately, then there is no danger of economic disequilibrium. If agriculture produces salable consumer goods, then it is possible to buy capital goods or anything else on hard-currency markets. However, it should be emphasized that the produced goods have to be sold, which is not always easy these days. But perhaps even worse are the enterprises' monopoly interests in food marketing that are made out to be society's interests.

It is of vital importance that also the farms monitor the world market and, through their capital investments, assume also a marketing role in the sphere of commodity circulation. Vertical integration between production and final demand offers demonstrable advantages in most cases, therefore we will support such integration with credits to the maximum extent possible.

114

114

SOCIALISM VIABLE, CAPABLE OF REFORM, PARTY PAPER EDITOR CLAIMS

Vienna EUROPAEISCHE KUNDSCHAU in German No 1, 83 pp 35-47

[Article by Peter Renyi, Deputy Editor-in-Chief of NEPSZABADSAG: "Is Socialism Capable of Reform?"]

[Text] Before going any further, let me say that not only the above question is at issue today. We are living in an era of the revitalization of arch-conservative capitalist dogma. In the United States and in some European countries as well, there are political leaders (and theoreticians, too) who believe the reforms undertaken over the past decades in the bourgeois systems to have been essentially flawed and are therefore making ready to roll them back. Even such traditional concepts as the social market economy, the welfare state, social security and partnership—concepts favored and popularized by liberals and social democrats in particular—are considered suspect or at least obsolete while the idols of the "free" market economy are to be justified anew. It was put quite correctly in the debate on the no confidence motion in the Bundestag: there is an attempt to reactivate the no-holds-barred society. This is a process which quite logically goes hand in hand with a rejection of the policy of peaceful co-existence and with casting doubt upon and jeopardizing the great achievements in this field over the past 1½ decades.

Accordingly, one should look somewhat more critically at those who are making the loudest and most provocative claims with regard to the inability of socialism as it exists today to effect reforms. The more avidly they are trying to roll back the reforms in their own backyard, the more brazenly they attack our side for supposedly being rigid and hostile to reform. Western groups which favor reform are far more objective and willing to recognize attempts and efforts to bring about reforms in the socialist countries.

I not only believe it is important to make this point because it shows just how insincere this type of propaganda really is but also because it underscores the significance of continuing reforms under socialism. Quite independent of these processes, we have every reason to remain faithful to the reform idea and to strengthen and intensify this trend. In case the other side rigidifies, its advantages will become even more apparent—particularly if we should succeed in accelerating the reform course which is generally recognized and aimed for as our goal.

This brings us to the essential issue which is that the reform process under socialism is not moving as fast as it should. The attacks on our system—in view of its present difficulties—are not made by people of course who genuinely worry about this loss of time or these delays. They are merely taking advantage of the opportunity, using the current tensions for their own purposes. They are not in the least interested to cause any improvements to take place.

But this must not and will not keep us from analyzing our own practices self-critically; from looking into objective conditions and subjective causes and acting accordingly.

The fact that the socialist system is in need of reform is an axiom, I think, that need not by any means be equated with the necessity to do away with mismanagement, to put a stop to faulty developments and to correct them. It goes much farther than that.

One needs to point that out in principle even if it is sometimes difficult in day-to-day political life to separate the reforms that result from the natural course of events from measures that serve to correct faulty decisions and their consequences.

But first of all, one must point out the following: all the qualified theoreticians of scientific socialism, starting with Marx himself, based their assumptions on the fact that socialism constitutes a /period of transition/.

The takeover of power by revolutionary means and the takeover of the basic means of production by the socialist state does not create anything beyond the /preconditions/ for the transition from capitalism to communism.

Unfortunately, we—not to mention others—often tend to forget that. We frequently cite the particularly slow development of socialism in underdeveloped or less developed nations—which, as is well known, departs from the ideas of Marx and Engels who thought that socialism would succeed in the highly developed nations first of all. But even in this instance they were convinced that there would have to be a transitional system—an /entire era/—before the old system could be fully overcome. This in itself cannot be interpreted in any other way than that there would have to be gradual changes. The content of any such transitional period could then not be anything other than a series of reforms that would bring society closer to the new goal.

The path of socialism from utopia toward science, as described by Engels, and the political statements of Marx and Engels are based on the realization that the turning point occasioned by the proletarian revolution would not cause the new society to spring up full-blown like Athena from the head of Zeus. There was hardly anything that seemed more important to the classic socialist thinkers than to combat and refute utopianism toward which the workers movement inclined in its early stages in particular. The spirit of

Marxist teaching clearly showed that the new social system would only be able to develop and take root on a new economic basis—which was inconceivable in the absence of a lengthy reform process (particularly in the economic field).

#### The Dialectic of Revolution and Reform

We should not and cannot deny the fact that socialism thus far has never really been able to come to terms with this dialectic of revolution and reform. The reasons for it may well be buried deep in the human psyche. A victorious revolution coming on the heels of long years of brutal oppression and exploitation is a shattering experience which arouses a feeling of omnipotence. Everything one wished and hoped for now appears to be within one's grasp. It merely depends on the necessary will power and resolve to realize it all. The fact that it may take many years or even many decades to turn this great and promising leap forward in social conditions into a new society with the help of this new-found power—that is a challenge people cannot immediately cope with.

There are rarely any politicians who dare, in the first flush of such an upheaval, to impart this truth to the people (provided they themselves have recognized it). The enthusiasm and the certain vision of a radiant future appear so obvious that even very strong, perceptive and thoughtful political leaders are not always able to swim against the current. Even a thinker as unreservedly committed to Realpolitik as Lenin was swept along with the tide during the first post-revolutionary era in spite of his enormous theoretical wisdom. Subsequently, however, he did possess the spiritual and moral strength to accept reality and to come out decisively against the dreams and illusions of the time. Others have not been able to do so.

It would be a scientific project to come up with a concrete analysis of these historical processes. I would like to limit myself here to pointing out the immense difficulties which began to emerge even while Lenin was still alive and which, as is known, kept on intensifying after his death particularly due to the dogmatism of Stalin. In the twenties and early thirties, the reform plans outlined by Lenin were still effective; but vital projects like the New Economic Policy (NEP) were not carried out properly and some aspects of war communism—as inevitable and imperative as they were during the wars of intervention—were involuntarily permitted to become socialist norms. For all that, the NEP was the first thoroughgoing start in the direction of a reform course which should have been followed for the purpose of achieving further progress.

The line-up with this course did not take place again until the mid-fifties and was based on a principle at the 20th party congress of the CPSU. But by then, many years had gone by—including the years of the great war against the aggression by Hitler Germany with all its horrible strains and heroic victims which simply did not permit the reform idea to emerge. It was only after the reconstruction of the nation that this question could once again be raised.



During these years, Stalin's views were the exact opposite. In his last economic writings, he developed a completely unrealistic utopianism, speaking of the direct exchange of goods in kind as an actual precondition for the realization of communism, of the need to eliminate the transfer of money and goods from the economy, speaking, in other words, of putting an end /once and for all/ to the transition period, the reform period.

#### After the CPSU 20th Party Congress

But anyone who concluded from this that the system itself is incapable of reform would have to brush aside the historic achievements of the 20th party congress as well as the immense difficulties resulting from long-term practices which had to be overcome in the post-Stalin era.

Without a doubt the victory over the fascist aggressors gave proof of the tremendous strength and achievement of socialist industrialization—which in turn strengthened the prestige of the existing, strongly centralized system. Under these circumstances, new reforms and all the risks they entailed were at a disadvantage—the more so, since this new departure was initiated while the Cold War was still on and the massive threat of a then militarily superior adversary still existed. Accordingly, it was not easy to steer a reform course.

One merely needs to recall the tensions of the late fifties and early sixties when attempts were made to step up agricultural development, production in light industry and in consumer goods generally. These changes did not come any easier in view of the fact that Khrushchev—who was all for change—at times fell prey to utopian ideas of another sort and gave preference to radical upheavals rather than gradual change. It was only when Brezhnev assumed the leadership of the central committee that the gradual reform concept came to be tied to realistic expectations. One should not underestimate the progress made in political and economic reforms under his leadership. As compared to the preceding period, the reform process was speeded up and intensified substantially, as evidenced by the growth of the economy as well as its modernization and intensification in all fields.

The fact that the tempo of this development has not kept pace with increased demand in every respect despite the very significant successes posted; the fact that there are still shortages and bottlenecks in supply and production today may get an outside observer to thinking about factors that retard progress. But no one who looks the facts in the eye can honestly cast doubt on the direction in which the process is moving. What the Western propaganda media are saying these days amounts to a gross distortion of the facts. Shortcomings of the reforms which could quite properly be criticized are termed proof of incapability to reform and twisted accordingly. Relative, temporary problems are termed total and irremediable defects designed to prove that the system is "finished" or "bankrupt" and so on.

In spite of these assertions, the responsible leaders of the Soviet Union will not be deterred. Anyone following their statements closely will not be able to deny that the central committee's activity reports at meetings and party congresses are in large part of a critical nature and that the press also publishes many reports and analyses whose authors do not mince words, either.

#### Additional burdens

Let me mention two additional important reasons which are often overlooked to account for the delays and the slow progress of the reform process. The first of these is the conflict with China which overshadowed the entire period of the new reforms. Since the Cold War era—not to mention earlier periods—the Soviet Union was forced to shoulder immense burdens in order to maintain its safety and the peace. A large part of her GNP was (and still is) being taken up by armaments and the maintenance of military parity.

This has been the rule for such a long time that some people appear to have forgotten the anomaly of the situation. The fact that these burdens have increased immensely as a consequence of the hostile stance taken by the Chinese leadership is hardly being taken into consideration at all. And yet, the additional burdens began growing at the very time when there was a readiness to undertake economic reforms.

There is no need here to offer lengthy explanations of how closely economic reforms are tied to the viability and financial strength of a given economy. From investments to the risks which must always be factored in when experiments are made, reforms are in need of financial reserves. If an economy is weighed down by unproductive expenditures—such as for arms and armed forces—its potential for reform is curtailed; that is obvious—although, of course, there are reforms that can be introduced without substantial cost, particularly those calling for new, more rational economic management methods.

The second point I would like to make is not political but substantive. It concerns the fact that two processes happened to coincide in the Soviet economy which were not organically connected at all but which had a strong impact nonetheless because they did coincide. I am speaking on the one hand of the problems that arose in the production of important raw materials as a result of depletion of traditional sources and on the other hand of the shift of the Soviet economy to an intensification phase—a task described by Khrushchev at the 26th congress of the CPSU as being comparable to the first industrialization of the country both as concerns its significance and the efforts and sacrifice attendant to it.



The effort to cope with two such major tasks—under the conditions of today's world market and the American confrontation course in world affairs—of course makes for additional burdens. And yet, we are convinced that the reform process not only must be continued but that it must be implemented more resolutely in spite of all problems and negative circumstances.

One might ask why. If one can come up with so many explanations and "extenuating circumstances" as we have done here (many more could be added, in fact, does that not absolve one from the /obligation/ to carry out reforms? Not in the least.

What I would also like to point out—even if only by inference—is based on a kind of reverse logic which in turn is based on our own Hungarian experience during the past 21 decades. Critical situations, crises, impasses and major problems of course have a dampening effect on progress; but the impact these may have on the subjective sphere are not as evidently negative. In a given situation, the unexpected may happen; insights may come sooner; experiences may be worked through more quickly; thinking processes may become more profound; delayed decisions may turn into actions more rapidly.

As we know, the economy is the driving force or motor of progress in all social systems—a Marxist maxim which by now has become a commonplace. But economies, too, incline toward inertia—who could deny it, given the many crises in so many different countries? All the great and powerful movements in economic life can be traced back to great and unusual incentives and/or great crises and exigencies where something /had to/ happen which from a rational point of view might have been long overdue but which had not yet been done simply because of inertia, immobility, because of ties to traditions and comfort. There are telling examples one can cite in the history of the capitalist economy such as great world economic crisis which after all was followed in the economic sphere by the New Deal, the first try at creating a consumer society which served as a model for post-war developments in Western Europe. There first had to be a crisis in order that ideas that capitalist reform theory had long known about were made a reality.

Hungary After 1956

Let me cite as another example developments in Hungary after 1956—even if this particular case may be different and the analogy may be somewhat daring—and begin by saying that a reform course may break through under the pressure of catastrophic conditions; a course that represents a historic necessity which was prevented from taking place previously due to a variety of circumstances. The fate of Hungary and her experiences since 1956 have surprised many observers and many of those who were involved in the events at the time (including some who emigrated) because of their very peculiarity.

In the aftermath of a counter-revolution, a national tragedy or however we choose to call those events, those who even then thought the socialist system incapable of reform could not conceive of anything but a regime of retribution, of revenge and increased repression of all dissidents—in other words, anything but reform. People were perplexed when everything turned out differently. They did not think the social system capable of such flexibility, of such an appreciation of the realities, such a capacity for self-critical analysis and change. To outsiders, this renewal—and a dynamic renewal at that—seemed an impossibility.

But consolidation and the reform course introduced by the MSZMP as its "purification" of the opposition was not the only proof of the fact that things had changed in Hungary. (There were all sorts of "explanations" being offered for the changes, which I will deal with later.) The biggest surprise—about which people decided not to talk—concerned the position taken by the socialist community, including the Soviet leadership which not only "went along" with the reform policy but actively supported it! Throughout the world, there was an hysterical outcry about the fact that the revolutionary workers and peasants government—which is what the Hungarian council of ministers was called then—had called on the Soviets to restore public order; but not a word was said when these very Soviets went along without reservations with Kadar's policies.

It was obvious from the very outset that the Hungarian /way out/ (if I am to use this somewhat odd figure of speech) would not only involve a correction of the serious mistakes of the prior party and government leadership or the liquidation of revisionist schemes but would be the way of reform. The resolution of the MSZMP provisional central committee of 5 December 1956 (only one month after formation of the new government!) contained a comprehensive program of reforms dealing with all spheres of political, cultural and social life. One could call it the timetable which applied to 25 years of development in Hungary and which still applies today.

It would lead too far afield and require too much space to treat with the particulars of Hungarian history over the past 25 years. Let me therefore concentrate on one or two examples which give an indication of how that process proceeded. At the same time, I would certainly not wish to gloss over the fact that the constraints of the situation as it was at the time constituted important, motivating and accelerating factors working for change.

This logic could of course be inverted to the point of absurdity by saying that counter-revolution, the loss of faith and all the other misfortunes made a desirable contribution to a healing process which would also be beneficial to others. That would be a most unfair interpretation of this line of thinking. I am not intent on proving the /necessity/ of the 1956 events but on proving the /possibility/ or rather the capacity of social-

not society to find a way out of even such a disaster (which could have been avoided, if the mistakes that led to it had not been made). The consequences to be drawn from it of course are that the experiences of that time must serve to keep similar catastrophes from happening.

As abstract as it may sound, the most fundamental lesson we learned was that it takes far more money and therefore more time as well to build socialism than we had thought—in other words, that the new society can only be brought into being with the help of the masses, of the workers and that this will come about gradually and not through precipitate action by an avant-garde that forces its will on the people and wants to have its way no matter what but by convincing the people. Nor will the new society be brought into being by giving up socialist goals, by carrying out quasi-reforms which go no further than administering existing practices and postpone the attainment of our goals until some vague and uncertain future date.

#### An Optical Illusion

This concept provided the basis for the main policy to be followed by the USSR: to fight a war on two fronts—against sectarian-dogmatic deviationism as well as against revisionist tendencies and for a principled and at all times realistic course which achieves progress by instituting well conceived reforms. All the achievements of our political activity we owe to these ideas and the operational methods stemming from them.

Time and again, Western observers of the Hungarian scene make the mistake of equating all the processes taking place in our country which they view as positive as evidence of our drawing closer to the capitalist system—in the sense of overall convergence or as a sign of pragmatism which takes over specific methods of capitalism in all instances where no other solution appears possible.

That is an optical illusion—and that is something that needs to be said quite clearly even if it does not make some Western observers very happy who wish us well.

Any socialist reform policy which started with the realization that much of what was previously was done precipitately and that brute force was used to do things that could not be done had to go back and turn to methods, particularly in the economic field, which were more akin to the capitalist phase. One had to relinquish quasi-positions; positions that were said to have been attained but in reality had not and start fresh on a new and solid foundation. But the idea was not to go backward into the past but to find a realistic, socialist way that would carry us /forward/ in the desired direction—even if it might take longer.

Let us stay with this latter concept for a moment longer. This turned out to be true in the case of the example I would like to mention: one could call it the /showpiece/ of Hungarian reform policy, namely the collectivization and modernization of Hungarian agriculture. The fact is that patience and a willingness to compromise need not always lead to a prolongation of a given process; need not always take more time.

Before 1950, three different attempts were made to get the peasants into the cooperatives. The first of these was partially successful; the second and third did not achieve any lasting and positive results. On the contrary—not only did the collectives that had been glued and pasted together by administrative and economic pressure not work; agriculture as a whole was in a sad way. In 1952/53, for example, some 25 million acres of farmland were not being worked; food supplies for the people were extremely poor.

In the 3 years following 1956 the peasants were left alone to work their plots of land as they saw fit and even received government aid. Then, in 1959, we carefully and discreetly began organizing production cooperatives in the villages—strictly on a voluntary membership basis—and things went a lot more quickly than we had dared hope.

#### The Agriculture Model

The plans—which went no further than to take us through the next 5-year plan, that is to say to 1963—were to collectivize about half of our agricultural production. But within 2 years no less than 95 percent of privately owned land had been collectivized—which was a sign both of confidence in the new policy generally and a consequence of the entirely different democratic, tolerant methods employed this time around.

Let us mention three important points: the right of the members of the collectives to elect the chairman and the directorate from their own ranks; the admission of former kulaks who could join the collective with the approval of its members; the compensation of members for livestock and farm equipment brought into the collective (out of government credits advanced for this purpose) or the obligation on the part of the collective to pay rent to its members to compensate for the size and value of the acreage they brought into the collective.

One could of course mention a great many other measures introduced then. Prior to 1956, there had been no measures like them. The Western public continues to be told that the "secret" of success of Hungarian agriculture is the private plots of the collective members (amounting to a little more than one acre each which they farm on their own, where they raise livestock and so on). There are many who think that these private plots are a specifically Hungarian invention and that their yield is so significant because we let a little bit of capitalism in by the backdoor. But that

is not true. The private plot idea originated with Lenin and is considered acceptable in all socialist countries. It is true to say that this sector made it easier for the peasants (used to running a farm on their own) to get accustomed to the collectives. But this form of production was so effective only because it was linked to production on a larger scale. If we had not succeeded in raising the collectives to such a high level, the private plots would not have succeeded to the extent they have by now, since the private farms in large measure use the products of the collectives to feed their livestock—such as grain, corn and so on—which the farmer, wearing his other hat as a member of the collective, produces and receives in exchange for the labor he performs there.

This is particularly borne out by the fact that as the collectives grew stronger the income of its members from the private plots grew as well and is higher today than ever before. This development was of course prompted by the fact that we defended the principle and the practice of the private plots against all sectarian-dogmatic attacks which were mounted from time to time—even if they gradually abated.

But it was just as important—or perhaps most important of all for the entire process—that in the aftermath of collectivization the government invested all available funds in agriculture; that it placed modern technology, equipment and know-how at the disposal of the peasants and to a large extent imported these items by paying hard currency for them. The idea—which had prevailed in former times—that the industrialization of a country could be carried out at the expense of agriculture was discarded in its entirety. Available funds were used both for industry and agriculture—assigning something of a priority status to the latter in view of the fact that it had been badly neglected.

The use of individual material incentives as well as the autonomy of the collectives; their full equality and the unhindered development of democratic practices in these organizations—all this combined with the development of the chemical industry, the production of fertilizer and of agricultural machinery, as well as the growth of the food industry have had as a consequence that Hungarian agriculture today can be proud of itself, earning close to world record incomes in some fields. But let me point out that we are not satisfied with these results. There are still substantial untapped reserves in our agriculture which must be utilized.

This brief and necessarily incomplete listing of agricultural reforms is meant to serve as an example of many other processes—some of them far more complicated, such as the great 1968 economic reform. What one would really have to do—and that would not be easy of course—would be to show that Hungary has been involved in a permanent, multifarious reform process over the past 20 decades—particularly in the economic field but also in other areas; that the different reform efforts include more or less all of economic life and, to an increasing extent, social life as well and that this is not only a complex whole but has become a natural way of life.



Even reform can be reformist.

Let us not deny it: there are some among us whom this way of doing things makes nervous; who do not understand that it is the very agility, flexibility and adaptability which has helped us greatly over the past few years that have been getting more and more difficult all along to maintain relative stability. This dialectic between a readiness for reforms and the maintenance of an equilibrium does not make equal sense to one and all. Some call it pragmatism and are suspicious at times about the quick turns in economic policy; they are not comfortable with the undeniably hectic nature of current conditions which are a reflection on the hectic state of the world market and of world affairs. One needs to treat this point of view with understanding—and in mentioning it, I do not mean to criticize it but merely to point out what a profound impact the reform ideas are having on society as a whole.

We can only smile when we read the commentaries in the bourgeois media on the reforms instituted in early 1962 which have as their goal the establishment of small industry, the leasing of restaurants and small shops and support for small crafts both in the public, the collective and the private sector of the economy. The commentators are saying that this is a new and unexpected departure for Hungary despite the fact that these reforms affect but a relatively small fraction of the entire economic life. Far more important aspects of the reforms are not taken into consideration or at least not interpreted as having resulted from the new reform thinking.

Above all, one should recognize the fact that society is dynamically adapting to rapidly changing world conditions. Anyone who merely looks at what was done over the past few months to improve the foreign trade balance further; to bridge over our liquidity problems; to increase exports in convertible currencies; to raise the competitiveness of Hungarian products; to remove at least some of the obstacles placed in our way by sanctions, embargoes as well as discriminatory steps taken by the West must admit—especially if he considers that all these steps of necessity do have domestic repercussions—that Hungary has become a country capable of reform and of reacting quickly to extremely abrupt changes of climate.

Anyone who follows the pace of the reactions—starting with our joining the ITC and the World Bank; then devaluing the forint; raising the interest rate for domestic bank credits to industry; the unexpected but unfortunately unavoidable price hikes in August; the import restrictions registered with GATT in September; the most diverse actions to promote innovation in industry—cannot deny the fact that there is a lively economy at work here which is not afraid of change, which takes risks and is imbued with an entrepreneurial spirit.

and we should also not leave the fact unmentioned that this is an economy which does not look upon its own reforms as dogma; which does not shrink from reforming the reforms under such unusual conditions as those obtaining at present and to cancel or modify what is not applicable at the moment, if need be. At the same time, the system possesses sufficient self-confidence to institute unpopular measures; to put up with tensions within society and with conflicts of interest—which indicates that it has the support of the people who are kept informed by virtue of honest portrayals of domestic and foreign situations and who receive all the news they need on a continuing basis.

#### Changes Are Inherent in System

What I have described here should not be construed to mean that we think we have discovered the philosopher's stone; that everything is running exactly as it should be and that all problems have been solved. We are a long way from thinking that. We, too, know a thing or two about the inadequacies of human efforts. We, too, believe that nothing can be considered complete in social life—not to mention the fact that the burdens we can see approaching are very large indeed and that we cannot be sure of being able to defend all our achievements in the midst of a development phase that is suddenly being subjected to a great many disturbances.

I merely wanted to point out that the socialist system not only can hold its own under the impact of very critical conditions but that it can initiate and carry out resolute reform policies at the same time. I wanted to point out the nature of our efforts. Whether they will be strong enough to cope with the existing problems, only the future can tell. The important thing is that we are doing what we possibly can and that these efforts are all part of a comprehensive reform program.

I have merely cited our country as one example, being fully convinced that there are instances of reforms in other socialist countries as well where all kinds of progress have been achieved and all kinds of experiences made from which we could also learn a good deal. That is a point I would really like to stress, since I would not want to limit the theory I have tried to support in this article to Hungary—which is what many Western commentators like to do.

As I said at the outset, these commentators have come up with a variety of theories to explain the Hungarian phenomenon—starting out with the absurd contention that official Hungary has been successful because it implemented the program of the 1955 uprising and going all the way to misleading interpretations which have the Hungarian leadership "purchasing" a carte blanche for its "heretical" domestic reforms by professing solidarity in foreign policy matters with the Soviet Union and the Warsaw Pact. These "disclosures" are often accompanied by analyses of the role played by Janos Kadar, the first secretary of the MSZMP central committee, which are misleading although in most instances filled with respect toward Kadar as an



individual. There is no doubt but that Kadar's personal contribution is very significant. And there is no doubt but that he was particularly well qualified to lead Hungary out of the troubled times both before and after 1956—because of his own personal fate, his profoundly felt political experiences, his sense of reality, his devotion to principles, his strategic and tactical talents; not to forget his personal qualities such as a high degree of patience and steadfastness, his humanity as well as his comprehension of everyday problems and questions of detail. His uncontested prestige both inside the country and throughout the world are a reflection of his real and substantial achievements on behalf of the reform policies already described.

But all of this was possible only because the socialist system was fundamentally equipped to achieve such a renewal and because these changes could be introduced as part of the system just as Lenin's reform programs and those of his successors who were faithful to his ideas were previously—both in the Soviet Union and in other socialist countries. This particular aspect was and still is being neglected again and again. There is an attempt now to divorce Kadar's achievement as much as possible from the system for which he stands. This is more true than ever today—with the anti-thesis being spread that socialism /in and of itself/ cannot survive; that it is a blind alley; a page that must be removed from the volume of history, and so on.

The Hungarian story, as outlined in this article, certainly has many characteristic features of its own which can only be traced back to our specific history but as far as the role played by reforms in a socialist transition society is concerned, these are generally applicable rules. The actual reforms, of course, will differ—in fact they /must/—according to different conditions in different countries; but the readiness and openness for change, the reform spirit, to put it simply, is in the ascendancy everywhere. And it will be a decisive factor everywhere, we are sure, in overcoming the problems that lie ahead.

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MINISTRY OFFICIAL VIEWS FOREIGN TRADE IN 1983

PM251035 Bydgoszcz GAZETA POMORSKA in Polish 8 Feb 83 p 4

[Interview with Ryszard Strzelecki, vice minister for foreign trade, by Andrzej Kruze--date and place not given]

[Text] [Question] Minister, the data available from the Central Office of Statistics on last year's economic results place foreign trade among those sectors of our economy which are clearly making some progress. How would you define the scale of this progress?

[Answer] It is indeed true that Poland's foreign trade turnover can serve as illustration of the thesis which claims that we are gradually emerging from the crisis. Our trade exchange results bear witness to this. But this is only one aspect of the question. Equally important are the new clearly defined trends in Poland's trade turnover which prove that foreign trade is being restored to its proper role in the country's economic development and appreciated as a factor in overcoming the existing economic difficulties.

[Question] Let us first recall what the figures have to say here....

[Answer] Last year our total exports amounted to 934 billion zlotys. That meant an increase of 11 percent compared with the year before last. We must also remember here that this rise in our exports was achieved at a time when our industrial production was lower than in 1981. This is the important thing, even if the present increase in export figures means that we are still only making up for the losses we suffered in previous years, when a drop in export figures anticipated the fall in production.

As regards our imports, the figures show a decrease of nearly 11 percent. The value of our imports amounted to 860 billion zlotys. Thus we closed 1982 with a surplus of 74 billion zlotys--but we nonetheless had a deficit in our trade turnover with the socialist countries.

[Question] Let us try to draw a clearer picture of the situation in our foreign trade. Statistics show that the terms of our trade with the socialist countries were altogether different from those applying to the capitalist countries. We had, as it were, two different sets of trade exchange operations....

[Answer] We did indeed--and there are many factors pointing to the probability that they will remain different. This is largely brought about by the difficulties created for Poland by some of the Western countries. The economic sanctions, including the refusal to grant us the credits we needed to finance our imports, resulted in our having to reduce our purchases in the second [Western] payments area. The reduction amounted to 23 percent. Even when we consider that it was necessary to reduce our imports from that area, such a drop cannot be seen as a positive thing.

As regards exports, there were difficulties here too, especially in the first half of last year. Our troubles selling coal on the Western markets are widely known. We had similar difficulties with other raw materials and finished articles. Nevertheless we have been gradually regaining our place in the Western markets, first with our raw materials for the power industry and later with the products of our chemical and other industries. Altogether we exported about 29 million tons of coal, of which over 14 million tons went to the capitalist countries.

Last October the United States withdrew the privileges enjoyed by Poland under the most-favored-nation clause. A considerable proportion of our exports to the United States were no longer profitable. If President Reagan's decision to suspend the most-favored-nation clause remains in force, we are going to feel the full impact of its consequences this coming year.

Irrespective of these difficulties, however, the differences in the degree of our foreign trade exchange are the result of our planned choice of foreign trade orientation. We have decided to switch to a more extensive cooperation with the socialist countries. Let me point out that the dynamic rate of increase in our overall trade turnover is almost wholly accounted for by our trade exchange with the first [CEMA] payments area. Our export to those countries grew by 18.6 percent, while that to the Western countries only rose by 3.5 percent. Imports remained, on the whole, at last year's levels. The structure of the turnover has changed too. There is a whole range of articles we started buying from CEMA countries that we had previously imported from the West, and at the same time we reduced the import of investment commodities. We developed new forms of economic cooperation.

Question. Foreign trade used to be called the economy's window on the world. What prospects are visible there for Poland's foreign trade right now, at the beginning of the year?

[Answer] They vary depending on the direction in which we are looking. We have reinforced our economic ties with the socialist countries, and this will bring results in the current year and in the future. This whole area of our exchange will be conducted in an atmosphere of safety, based on signed protocol agreements with understanding and favorably disposed partners who are ready and willing to cooperate.

In contrast to that, there are still many unknown factors in our relations with the Western countries. The capitalist economy is suffering from a prolonged recession. The past year was already the third one of continued decline. The most highly developed countries, which are our chief partners in the free currency zone, have very high levels of unemployment. Crisis symptoms affect their trade too, and each of them jealously guards the access to its own home market. Moreover, the slump in oil extraction and prices has resulted in complications in the economic situation of certain Third World countries.

All this is compounded by superimposed political considerations. The NATO countries continue to uphold the economic sanctions directed against Poland. This is manifested, among other things, in the refusal to grant us new credits or to begin negotiations on the question of a proper regulation of our debt problem. The amount of current and outstanding repayments of capital installments and interest totals some \$13 billion. Balanced against export returns, they would total \$6 billion. The juxtaposition of these two figures speaks for itself. We are ready to take up talks with our creditors aimed at finding an agreement acceptable to us and one which would take into account Poland's current economic situation. It seems that these considerations are beginning to meet with understanding in certain Western financial circles and in their specialist press. We are hoping that the Western political centers will come to share this attitude.

Question: Minister, our planned 1983 foreign trade turnover assumes a higher growth rate for our trade exchange with the capitalist countries than for that with the socialist countries, despite the complicated situation you spoke of. Is that plan at all realistic?

Answer: The central plan for the whole year assumes increases in both our exports and imports compared with last year's values. We expect a more dynamic rise in our turnover with the capitalist countries than in that with the socialist countries, but we must remember that the values on which we base our calculations, that is, last year's results, are correspondingly different. For the first payments area we assume increased turnover based on a value which is already growing, while for the second payments area, the corresponding value is still continuing to decrease.

Irrespective of that, however, the plan assumes that a high rate of growth will be maintained in our exchange with the socialist countries, while its structure will be modified according to our requirements. The highest rate of increase will be in the export of those industrial articles of which we have surplus reserves, such as: the products of the metallurgical industry, by some 80 percent; those of the chemical industry, by almost 18 percent; oil, by some 8 percent. On the other hand our export of consumer goods will be reduced by some 50 percent, including, for instance, a drop of some 34 percent in the export of clothing and of some 48 percent in the export of real leather footwear. This will enable us better to meet the demands of our domestic market. It will also mean increased imports of those industrial products from socialist countries.

Our largest trade turnover will be with the USSR. Just as in previous years, we will be able to avail ourselves of the credits granted to us by the USSR to the value of R1 billion.

As regards our turnover with the second payments area, the situation is far more complex. This is caused, as I have already said, both by the economic recession in the West and the necessity to introduce certain geographical alterations into the structure of our exports owing to the U.S. decision to suspend the most-favored-nation status previously enjoyed by Poland.

Are our plans realistic? We are doing everything to ensure that they are realized. We offer the enterprises very strong incentives--both in the Polish and foreign currencies--to encourage them to develop their export production. We concentrate on that goal the attention and the effort of our entire foreign trade apparatus. In spite of the prevailing circumstances, caused largely by external factors, we remain optimistic.

[Interviewer] Thank you for the conversation.

CSO: 766/521

# OFFICIALS ASSESS PRICE CHANGES, INFLATIONARY SPIRAL

## Increased Prices in 1983

Warsaw RZECZPOSPOLITA in Polish 18 Jan 83 p 5

[Interview with Zdzislaw Krasinski, minister of price affairs, by Janusz K. tarski; date and place not specified]

[Text] [Question] Basic changes in price levels occurred last year. All of us are feeling the effects. At the same time, however, it can be seen that the increases did not equalize the market to the degree desired. Thus, from the economic point of view, it will be necessary to continue this process. At the same time, as expressed during consultations on the variants of the 3-year plan and elsewhere, the public wants any thoughts of further big increases to be carefully considered. These are mutually inconsistent trends. In association with this, the problem of what factors will determine pricing policy in 1983 has become important. PAP [Polish Press Agency] has asked this question of Zdzislaw Krasinski, the minister of price affairs.

[Answer] The events of the 1970s will continue to determine pricing policy in 1983. A growth in people's incomes at a rate that was significantly greater than the increase in supplies and services was a characteristic phenomenon of that time. In principle, the price changes in 1982 allowed this increase in "hot" money to be restrained. But we have not yet achieved even a partial retrenchment of the so-called inflationary imbalance or decreased the people's money supply accumulated in previous years. This imbalance was and continues to be a burden on the market, making it difficult to achieve a balance. Its effects, however, are less aggravating than in the last decade because those accumulations represent much smaller real purchasing power as a result of the price changes.

The substantial pricing operation in 1982 was not accompanied by increased production. Thus only one of the conditions necessary to balance people's incomes with the supply of goods was fulfilled. In the last 3 months, large increases in wages and social welfare payments have occurred that were not counterbalanced by higher labor productivity and market production. In comparison to the summer months (June, July and August), the increase in this period rose over 20 percent, while the increase in industrial production did not exceed 3-4 percent.

[Question] Does this mean that the beginning of this year was not a turning point, after which a new stage in pricing policy will occur?

[Answer] In principle the calendar does not regulate economic processes, even though each year represents a distinct whole from a statistical and planning viewpoint. Changes in pricing policy result not so much from the fact that a new year has begun as it does with settling many of last year's problems. Today, prices reflect costs much more accurately. Thus the stage for their becoming a reality is behind us, even though, of course, there are areas in which production continues to be subsidized. However, this phenomenon is not as common as it was in 1981.

At the same time, conditions do not yet exist to completely stabilize prices. This was expressed in the 3-year plan, where it was assumed that prices will increase 10 percent in 1983, and if the effects of last year's decisions are taken into account the increase will be 15 percent. Thus price movements will oscillate in a range that is characteristic of most European nations. We are very much like the group of countries enveloped with so-called hyperinflation.

[Question] But people are more interested in what will become more expensive than in what the overall increase in prices will be.

[Answer] The setting up of reasonable price increases allows certain spheres to be isolated that are protected against increases. However, as Professor Abramovskiy rightly noted, the creation of protected spheres also requires the designation of so-called 'sacrificial' spheres. This principle will guide pricing policy in 1983.

Most food articles of a basic nature in the budgets of poor and middle class families will be placed "under the umbrella." For example, we do not want to see inflation price increases for the most important food articles, although we realize that it is conditioned on the stabilization of purchase prices and also the costs of materials used in agricultural production. Certain prices for fish from distant fishing areas will be an exception to the principle. It is necessary to balance out the very high costs of increasing fish stocks.

As related to this, it should be emphasized that the production of food (grain) continues to be subsidized. A possible increase in purchase prices could be disturbing retail prices of food would push us once again into a period of demand pricing such as occurred at the end of the 1970s.

As for the "sacrificial" spheres, that is areas in which we plan price increases, include above all groups of goods and services that are either less popular, or, from the social point of view, are of secondary importance in the budgets of the poor and middle class families. Rent increases for groups of 10-15% quarters would be an exception to that last rule. But it will be necessary to divide the increases into stages and differentiate them according to the standard of housing.

As for the 10 percent part of the total 10 percent increase in 1983 prices are 10 percent increases in official prices.



[Answer] Over one half. Some price increases, among others, have already taken place for rail and PKS [State Motor Transport] fares. Beginning in February, fares for local transportation will increase. In relation to the general increase in travel costs, it would be a mistake to maintain current gasoline prices too much longer. This would place automobile owners in a privileged position. However, the price increase will not be shocking--several zlotys per liter.

We also must give some thought to the relative cheapness of various types of consumer products, especially cigarettes and alcohol.

[Question] Will the use of central decisions for such a significant portion of the price increases anticipated for this year create a danger that the scope of maneuverability for enterprises using contracted prices will be too narrow? It should be remembered that contracted prices doubled last year.

[Answer] In answering that question, I would like to refute certain myths, namely, that price increases produce wage pressures, increase production costs and lead us into an inflationary spiral. The process is just the opposite. Price increases initiate price increases. The relative stabilization that we expect this year has a chance of success, providing the modified mechanisms of the economic reform linking wage increases with increased volume of market production come into play.

The stage of setting procurement prices are behind us. This year's anticipated increases are minimal, and encompass a narrow group of raw materials and products. Thus they cannot have a fundamental effect on final products, including retail prices. The increases in ZUS [Social Security Agency] welfare benefits represent some danger to prices. We estimate that on the national economic scale it will increase prices of market articles 1 to 1.5 percent.

As for the economic viewpoint and budgets already prepared, the enterprises must be pushed to push for higher contracted prices as the primary means for relieving profitability. However, I do not deny that much depends on whether the mechanisms of reform will work in practice.

Therefore, we all must realize that in the present situation potential conditions exist for increases in contracted prices, and they will continue to exist as long as purchasers do not protest these increases by refusing to buy the products. State policy creates the opportunity for such an "economic protest" by protecting the prices of basic articles. In implementing the economic reform we made certain decisions in the economic field. If and when possible, we must bring about the situation wherein producer and consumer have equal opportunities.

## Increased Inflation, Reduced Living Standard

Warsaw SLOWO POWSZECHNE in Polish 19 Jan 83 p 1, 2

[Interview with Prof Zdzislaw Krasinski, minister of price affairs, by Agnieszka Suchecka of KAR [National Workers' Agency]; date and place not specified]

[Text][Question] Mr Minister. A year has almost elapsed since drastic and painful--as can now be said--price increases were introduced. That operation was supposed to bring our economy closer into balance. Stores--and not only those selling rolls--were supposed to be full again. In the meantime, this balance is not to be seen; empty shelves continue to haunt stores. And the inflationary imbalance, estimated today at about 500 billion zlotys, is squeezing the economy even more than a year ago.

[Answer] Despite everything, the stores are less empty. But it is a fact that we have a long way to go to achieve balance. During the course of this year the imbalance increased by 200 billion zlotys. All payments to the people have increased absolutely beyond expectations. Of course, if the wage level then [February 1982] could have been maintained along with the then-existing increase in store supplies for 2.5 years, then sometime in the second half of 1984 the market would have settled down. And this at a level of the good 1973-1974 years.

however, the public could not stand the strain of the rapidly deteriorating standard of living. In conjunction with this, the mental burden of price increases often was the most difficult to bear.

[Question] Let us return to those 2.5 years which could signify the end of the crisis, even though that assumption appears to be a bit too optimistic to me. With some reproach, you spoke of the public's impatience and unwillingness to bear the burden of price increases, of the crisis. But who likes price increases? In addition, were not the authorities and you individually instrumental in generating such public feelings? The benefits of price increases have been presented to the public as a bit too rosy.

[Answer] Quite so. I myself said that the positive effects of the price increases would be obvious within a year.

[Question] You mentioned the extensive mental burden of the crisis, but a 10 percent decrease in the living standard is a computation of statistics, which always appears to be somewhat remote. In this situation, how has the assumption concerning the optimum protection of the budgets of the poorest families worked out?

[Answer] It is estimated that their living standard decreased 10 percent, and for the "krezusi" [well-to-do?]-40 percent. I submit this being fully aware of the fact that the poorest bear a heavier burden for each price increase. If someone has half a loaf of bread daily, taking away three crumbs can mean a shortage, but a person having a whole loaf or two leaves will still be nourished. One more thing: if the degeneration of

compensation, which would have resulted in the richest individuals obtaining symbolic compensation or none at all, was implemented as proposed in the famous "Krasinski book," the decline in the standard of living for the poorest would be only 3 percent.

[Question] Why was this concept rejected?

[Answer] Do you remember the argument that our stomachs are all the same? In addition there were technical reasons. ZUS was not happy with the entire operation. This institution had no way of discerning family incomes. This simply was not necessary before. The state did not conduct selective social activity. Egalitarianism prevailed in this area. I emphasize: with my compensation version the poorest would have lost much less.

[Question] Then what is the solution to this problem?

[Answer] It would be best to reduce the flowing torrent. To a great extent this will depend on the enterprises. They should forget about the egoistical, provincial interests of their workforces and take a broader view of our economy. Qualms of conscience should not occur only when production growth outpaces wage growth.

[Question] Such a situation is still a long way off...

[Answer] Unfortunately. In addition, we still do not have a proper, central policy in people's incomes. In this situation the pricing policy is a policy of patching up holes, the result of a lack of an incomes policy. Today the actions of the Office of Prices revolve about regulating the caprices and contradictions of the instruments of another policy.

[Question] What will the pricing policy be this year?

[Answer] They are defined by the assumptions of the 3-year plan as rectified by the results of public discussion. It is known that the increase in prices was established at 10 percent (including 6 percent as a result of last year's increases), and thus the field for maneuvering became very limited. The main idea of this year's increases is to correct relations between costs and prices. It should be remembered that this year the Sejm will review the matter of subsidies very closely. Each quarter the government, especially the minister of finances, will report to the Sejm on these matters. The first report is due in February.

[Question] What kind of increases can we expect?

[Answer] I can talk about the official, central prices which obviously determine the area entirely, although they are the most important. The reform establishes price movements, both up and down, determined by self-dependent enterprises. As is known, many producers abuse this self-dependence. The so-called improvements introduced into the reform since the start of this year limit the possibilities for such price irregularities. The scope of official and social control of prices will also be expanded. But production costs and thus prices will increase. Raw materials are becoming somewhat more expensive, and ZUS outlays have risen; but above all wages have increased.

[Question] Let us talk further about those official increases...

[Answer] I would like to reassure the public. In principle, food price increases are not anticipated in a situation where purchase prices for agricultural products are stable. Food is already very expensive. As is known, sweets have already become more expensive. About a 20 percent increase in the price of fish from deep-sea fishing grounds is anticipated because of the tremendous increase in fishing costs. Beginning in February, costs will increase for socialized and private transportation.

[Question] The details of this operation are now known, and are generating much controversy with regard to the size of the increases as well as the means by which the public was informed about this matter...

[Answer] I can only say that the state paid a great deal of money for state and local transportation, and fares were truly very low.

[Question] What else will become more expensive?

[Answer] Widely-used articles having a harmful effect on people, that is cigarettes and alcohol, and whose consumption should be decreased absolutely.

[Question] Rumors are already circulating that these will be drastic increases...

[Answer] Even if it were so, I see nothing negative in this. It is dreadful that even in the crisis we rose to number four position in the world with regard to the number of cigarettes smoked per individual.

[Question] Then, what will the new prices be?

[Answer] A bottle of vodka will increase on average from 110 to 120 zlotys. Cigarettes will increase an average of 8-13 zlotys for the popular packs. But I think some imported cigarettes will cost 20 zlotys more.

[Question] Rent increases are also going up...

[Answer] Yes, this is a very difficult and arduous but necessary operation. It is clear, the situation today in this area has nothing in common with the way of life of housing as well as with the feeling of social justice. In 1970, tenants of cooperatives are paying much more for a roof over their head than tenants in state-controlled quarters, even though those who obtained state-controlled quarters after 1 May 1981 are also paying more. It is all the more funny in that there are some who occupy state-controlled quarters who are not necessarily the least affluent. It also is not strange that rent increases for state-controlled quarters have been demanded for a long time by cooperative tenants, that is those already living in or signed up for cooperatives. It also is anticipated that standardizing rents or gradually increasing them for state-controlled quarters should lead to more people moving into cooperatives, which would have a direct bearing on mitigating today the artificially controlled housing needs.



...complaining about the errors of the past will lead us nowhere. We must understand that as long as our labor productivity is as low as it is relative to the developed countries, our standard of living cannot be at the level of those countries.

...our productivity in Poland relative to the developed countries was lower even before the crisis, but somehow we managed.

...agrees, but it should be remembered that labor productivity is related to inflation.

...are necessary to control or at least to slow down inflation at the same time improve the market situation?

...necessary to increase the supply of goods and services for the country, and this increase production by all possible means. Second, wages should not increase at all unless they are linked with increased productivity. If such coverage does not exist, it should not be increased. Third, decisions must be made regarding cuts in government expenditure, which is linked directly to wages and employment. We will no longer tolerate increased employment in government enterprises while production plants while worker shortages exist in the economy. There are plants that are fully staffed but do not produce due to lack of raw materials. And there are plants in which production is reduced because they lack people. Fourth, budget outlays should be reduced in certain areas or they should not be allowed to increase beyond a certain limit already.

...which might slow down inflation also create market equilibrium?

...equilibrium, the supply of industrial products and government outlays must be reduced, and it also is necessary to...

...according to the latest statistics, what is the extent of the problem that has been so unfortunate for us?

...equilibrium... among other things, the inflationary imbalance of money in the country, which has accumulated in past years which cannot be eliminated. According to the estimates, at the beginning of the year the money supply was 900 billion zlotys. So far this year it has increased more than planned, but market supplies have not increased correspondingly. With this, the inflationary imbalance is increasing. Adding to this the pressure from not only our currency but also from the foreign currency (the possession, the use of the currency).

[Question] Nonetheless, since there is so little available in the market, what is there to put pressure on?

[Answer] You are right. In good time, at the beginning of the 1970s, stores had supplies on hand equivalent to about 80 days of sales; now it is only about 25 days. These supplies must be tripled in order that they be at a level assuring minimum equilibrium.

[Question] Last year's price increases were supposed to improve the market situation. Now it turns out that not much was accomplished. Behind this negative news are preparations being made to raise prices again, perhaps not as large as in the last declarations?

[Answer] In practice the increases in wages and social benefits ate up most of last year's price increases. Also, market supplies continued to decrease -- about 11 percent compared to the previous year, thus the last pricing policy did not act on the overall market equilibrium. The expected improvement in the market situation did not occur and may not occur if wages continue to rise much faster than market supplies.

[Question] Let us assume that will not happen. What will happen in the future?

[Answer] Two possibilities exist: either prices will increase in step with the increase in minimum wages while market equilibrium will continue to be disrupted, or if prices do not increase then we can expect a further increase in state-controlled goods along with a much greater inflationary pressure and a large increase in the inflationary imbalance that occurred in 1974.

[Question] But these are not the solutions we expected...

[Answer] Some people say that one of the rights of socialism is equal access to essential lines and, in harmony with this, prices should be kept low to create conditions for obtaining given goods at lower prices for the working people. However, what is not considered is that prices that are set lower than market prices encourage speculation. A typical example. Its relatively low ration-card price is under the market price, but the free market price of vodka should be much higher. But that is not what it is; speculators buy vodka without the use of ration cards and sell it at almost twice the price. They are obtaining money from the market that the state should be getting.

[Question] It is difficult not to agree with that. However, in general, the price increases I have the same fears as the average breadwinner, about the scale of price increase relative to last year. In this respect, the latest pronouncements varied from 10 to 15 percent. These figures also are bandied about which all together make me think that the price increase today, that this 10 to 15 percent will turn



Answer: In all probability people's incomes will be much greater than we anticipated because of pressures from various social groups. The outlays in November and December of 1982 indicate that the nominal increase in people's incomes last year was much greater than the anticipated 15 or 16 percent. The price...

Answer: It reminds me of the situation over 30 years ago when pensions were set at 20,000 rubles and higher and prices for goods also went higher, and it all ended with an exchange of currency. Can we also expect the same thing now?

Answer: Exchanging currency will solve nothing. In general, equivalence problems arise because only nominal value is changed. And if nonequivalence arises in the future, it would only be a one-time manipulation which would change the price level but direct disequilibrium would remain. The store shelves will still be empty if you exchange money. As long as people's incomes continue to rise daily, the inflationary gap will continue to rise daily. I think the only solution to our economic problems is to increase production of goods and services.

Question: However, we must admit that this factor for the time being is not under our control. It can increase significantly or not. If it does, what is the situation, what will inflation lead to?

Answer: The situation that is relatively regulated can take on the characteristics of a price spiral, unregulated and out of control.

Question: How will it be like in real life?

Answer: The price of more and more goods would become regulated and the price of more and more goods would rise month to month.

Question: Remember the great inflation and crisis of the 1920s in Russia. That bread was just a ring.

Answer: I agree with this. Certain prices, including of course wages, must remain regulated. By means of state control and regulation. Regulation that if it rises, require some kind of control. If it were otherwise, those who make less would be in a bad position.

Question: I am not worried, that we are protecting our interests. It is necessary to be reasonable to everyone. If, of course, how could this come from the latest statistics on the probability of increasing outlays for social...

Answer: I am not worried, that we are protecting our interests. It is necessary to be reasonable to everyone. If, of course, how could this come from the latest statistics on the probability of increasing outlays for social...

Question: You have said that only those who increase production should be paid more. But what about retirees who have already done their work and how can it increase the state's income?

Answer: But the state is increasing the lowest pensions and annuities. And it is more, it is providing retirement benefits for farmers, who were not covered before. This is a new increase. It amounts to outlays of billions of zlotys. Revaluating the basis of pensions is valid. But where will we get the money for these people? Who will pay for it? Because the state has no reserves, no new foreign loans as it did in the times of Bierut, increases will occur only at the expense of those who work. Therefore, in some cases, increases are necessary but strict selectivity is obligatory. We cannot give to everyone.

Question: Finally, I believe, the state is in no position to offer such a contribution it could give, let us say, when our labor productivity is higher than the possibilities could arise if our productivity were at the level of our socialist neighbors. First we must organize production, increase it, and then provide the services and not the reverse. Printing banknotes leads nowhere.

Answer: The question concerning the proper organization of production and the consequences could be linked with the economic reform...

Question: Finally, under conditions of increasing inflation, reform is encountering many difficulties. Its instruments have practically ceased to operate.

Answer: All enterprises must show a profit. Has the Bank withheld the right to do so?

Question: But your report all enterprises achieved profitability. Unfortunately, they achieved this not as a result of efficient operation but as a result of opportunistic price and assortment manipulations, by inflating the prices on their goods. Thus the Bank had no basis for withdrawing profit from them and initiating reform proceedings against them. The government placing some degree of control over their financial operations will be raising the earnings of their workers. In cases of inflation, the enterprises in general obtained subsidies from the state. They are deficit operations, but subsidies cover their losses and they show a profit.

Answer: It is not to acknowledge that such unprofitable enterprises should be liquidated.

Question: Finally, the Yugoslav experiment indicates that this happens in the case of very stringent measures. Let us admit openly that a year has been initiated, but that exceptionally important measures have not been initiated.

[Question] Will we return to the command system of economic management?

[Answer] I do not know. I believe that this would be very bad. But one must be consistent. If one wants to implement economic reform, one must create the conditions for it.

[Question] I have heard that some economists opposed the reform only because of the existing market imbalance.

[Answer] Yes. I believe that the introduction of reforms under conditions of inflation disregards one of its most important injunctions. But as long as we have decided on it, we should not increase this imbalance; we should strive to reverse it instead. As I have already mentioned, we can do this in part by freezing wages and benefits and limiting budget outlays. These are potentially unpopular and drastic steps; thus they must have the support of public opinion. But we know what public opinion is--the average citizen would rather have a wallet full of money even though there is nothing to buy with it.

[Question] We are not a society that is moved by rational reasoning.

[Answer] I would disagree. A developed, rational society must decide one of two things. Either it will proclaim itself in favor of a disciplined government and its government efforts in unpopular measures or a promising alternative to the situation in which we find ourselves, or else we will continue to be stuck for a very long time.

[Question] Therefore, professor, certain revivals have already taken place in the economy. Thus there are prognoses that this year will bring further improvements in this area, and that in general we are beginning to come out of the crisis.

[Answer] It is certain that production and national income will increase this year. But wages and social benefits increase even faster, the money supply will increase and the inflationary processes will grow. We must remember that we can consume only that which we produce.

SPECIAL CURRENCY EXCHANGE RATE TABLES PUBLISHED

Exchange Rate Table No 5

Warsaw TRYBUNA LUDU in Polish 31 Jan 83 p 7

[Text] Announcement of Exchange Rates Table No 5/83, effective 1 February 1983, by Stanislaw Majewski, president, Polish National Bank, on 1 February 1983.

1. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,826.33 zlotys per 100 rubles is applied.

2. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

[Table on following page]

Exchange Rates Table No 5/83

Country	Curr synd	Currency	Foreign exchange		Money		Aver- age
			Pur- chase 4	Sales 5	Pur- chase 1	Sales 2	
Saudi Arabia	771	1 rial***	24.82	25.06	--	--	24.94
Australia	781	1 Aust. dollar	83.36	84.20	82.10	85.46	83.78
Austria	786	100 schillings	505.42	510.50	497.80	518.12	507.96
Belgium	791	100 francs	174.93	176.69	172.29	179.33	175.81
Denmark	792	1 kroner	10.12	10.22	9.97	10.37	10.17
Finland	788	1 markka	16.00	16.16	15.76	16.40	16.08
France	793	1 franc	12.51	12.63	12.32	12.82	12.57
Greece	724	100 drachmas	101.87	102.89	88.29	104.43	102.38
Spain	785	100 pesetas	66.85	67.53	65.85	68.53	67.19
Holland	794	1 florin	32.33	32.65	31.84	33.14	32.49
India	543	100 rupees***	864.90	873.60	--	--	869.25
Ireland	782	1 pound***	118.07	119.25	--	--	118.66
Japan	784	100 yen	36.56	36.92	36.01	37.47	36.74
Yugoslavia	718	100 dinars	118.02	119.20	102.29	120.98	118.61
Canada	788	1 Canad. dollar	69.19	69.89	68.15	70.93	69.54
Kuwait	770	1 dinar***	289.38	292.28	--	--	290.83
Lebanon	802	1 pound	22.53	22.75	22.19	23.09	22.64
Lithuania	651	1 dinar***	288.30	291.20	--	--	289.75
Luxembourg	790	100 francs	174.93	176.69	172.29	179.33	175.81
Norway	796	1 kroner	12.08	12.20	11.90	12.38	12.14
Portugal	779	100 escudos	90.81	91.73	78.71	93.10	91.27
Yugoslavia	795	1 mark	35.52	35.88	34.99	36.41	35.70
South Africa	787	1 dollar*	85.37	86.23	84.08	87.52	85.80
Switzerland	797	1 franc	43.23	43.67	42.58	44.32	43.45
Sweden	798	1 kroner	11.59	11.71	11.42	11.88	11.65
Turkey	607	100 pounds	45.46	45.92	39.41	46.60	45.69
Great Britain	789	1 pound**	132.41	133.75	130.42	135.74	133.08
Italy	799	100 lira	6.17	6.23	5.35	6.32	6.20
France	795	100 rial	101.59	102.61	100.06	104.14	102.10

\*Valid only in clearing accounts with the following countries: Bangladesh, Belgium, Brazil, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Portugal, Spain.

\*\*Valid only in clearing accounts with the following countries: Nepal and Switzerland.

\*\*\*The International Bank does not purchase money in these currencies.

# Exchange Rate Table No 6

Warsaw TRYBUNA LUDU in Polish 7 Feb 83 p 7

[Text] Announcement of Exchange Rates Table No 6/83, effective 7 February 1983, by Leszek Urbanowicz, for the president, Polish National Bank, on 7 February 1983.

For purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 12,048.61 zlotys per 100 rubles is applied.

## Foreign-Currency Exchange Rates in Zlotys for Countries of the First Payments Area [Socialist Countries]

### Exchange Rate Table No 6/83

#### Exchange Rate for Commercial Payments

Country	Curr symp	Currency	Foreign exchange		
			Purchase	Sale	Average
USSR countries	101	1 transfer ruble	67.66	68.34	68.00
Albania	315	1 clearing ruble	67.66	68.34	68.00
Armenia	317	1 clearing ruble	67.66	68.34	68.00
People's Republic of China	319	1 clearing ruble	67.66	68.34	68.00
Czech	322	1 clearing ruble	67.66	68.34	68.00
Other	320	1 clearing ruble	67.66	68.34	68.00

#### Exchange Rate for Noncommercial Payments

Country	Curr symp	Currency	Foreign exchange		
			Purchase	Sale	Average
Albania	201	100 lek	513.42	518.58	516.00
Angola	202	100 leva	4,884.54	4,933.64	4,909.09
People's Republic of China	203	100 koruna	429.84	434.16	432.00
People's Republic of China	219	100 won	1,243.75	1,256.25	1,250.00
Cuba	208	100 peso	3,227.02	3,259.46	3,243.24
People's Republic of Angola	204	100 tugriks	1,028.32	1,038.66	1,033.49
People's Republic of Angola	205	100 marks	1,343.25	1,356.75	1,350.00
People's Republic of Angola	206	100 lei	517.88	523.08	520.48
People's Republic of Angola	207	100 forints	291.42	294.34	292.88
People's Republic of Angola	210	100 dong	375.08	378.84	376.96
People's Republic of Angola	201	100 rubles	4,298.40	4,341.60	4,320.00

II. Foreign Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Country	Curr symp	Currency	Foreign exchange		Money		Aver- age
			Pur- chase 4	Sales 5	Pur- chase 1	Sales 2	
Small Arabia	711	1 rial***	25.09	25.35	--	--	25.22
Australia	781	1 Aust. dollar	83.44	84.28	82.18	85.54	83.86
Austria	786	100 schillings	497.19	502.19	489.70	509.68	499.69
Belgium	791	100 francs	178.51	180.31	175.82	183.00	179.41
Denmark	792	1 kroner	9.96	10.06	9.81	10.21	10.01
Finland	780	1 markka	15.88	16.04	15.64	16.28	15.96
France	793	1 franc	12.34	12.46	12.15	12.65	12.40
Germany	724	100 drachmas	102.87	103.91	89.16	105.46	103.39
Greece	785	100 pesetas	66.06	66.72	65.06	67.72	66.39
Holland	794	1 florin	31.81	32.13	31.33	32.61	31.97
India	843	100 rupees***	871.85	880.61	--	--	876.23
Ireland	741	1 pound***	116.05	117.21	--	--	116.63
Italy	74	100 ven	35.93	36.29	35.39	36.83	36.11
Romania	718	100 dinars	109.98	111.08	95.32	112.74	110.53
Canada	788	1 Canad. dollar	69.79	70.49	68.74	71.54	70.14
Saudi	779	1 dinar***	295.55	298.53	--	--	297.04
Sweden	795	1 pound	22.81	23.03	22.46	23.38	22.92
Sri Lanka	751	1 dinar***	292.48	295.42	--	--	293.95
Switzerland	790	100 francs	178.51	180.31	175.82	183.00	179.41
Norway	796	1 kroner	12.05	12.17	11.87	12.35	12.11
Portugal	719	100 escudos	91.87	92.79	79.62	94.18	92.33
Spain	797	1 mark	34.96	35.32	34.44	35.84	35.14
United States	787	1 dollar*	86.32	87.18	85.01	88.49	86.75
United Kingdom	797	1 franc	42.79	43.23	42.15	43.87	43.01
Yugoslavia	798	100 kroner	11.52	11.64	11.35	11.81	11.58
Japan	877	100 pounds	47.63	48.11	41.28	48.83	47.87
U.S.S.R.	739	1 pound**	131.20	132.52	129.22	134.50	131.86
Czechoslovakia	799	100 lira	6.09	6.15	5.28	6.24	6.12
Poland	846	100 rial	102.86	103.90	101.31	105.45	103.38

\*The U.S.S.R. is clearing accounts with the following countries: Bangladesh, Cambodia, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, and the U.A.R.

\*\*The U.S.S.R. is clearing accounts with the following countries: Nepal and Yugoslavia.

\*\*\*The U.S.S.R. does not purchase money in these currencies.



# Exchange Rate Table No 7

Warsaw TRYBUNA LUDU in Polish 14 Feb 83 p 7

[Text] Announcement of Exchange Rates Table No 7/83, effective 14 February 1983, by Leszek Urbanowicz, for the president, Polish National Bank, on 4 February 1983.

For purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,997.22 zlotys per 100 rubles is applied.

Foreign-Currency Exchange Rates in Zlotys for Countries of the First Payments Area [Socialist Countries]

## Exchange Rate Table No 7/83

### Exchange Rate for Commercial Payments

Country	Curr symp	Currency	Foreign exchange		
			Purchase	Sale	Average
Algeria	101	1 transfer ruble	67.66	68.34	68.00
Angola	315	1 clearing ruble	67.66	68.34	68.00
Argentina	317	1 clearing ruble	67.66	68.34	68.00
People's Republic of China	319	1 clearing ruble	67.66	68.34	68.00
Cuba	322	1 clearing ruble	67.66	68.34	68.00
Vietnam	320	1 clearing ruble	67.66	68.34	68.00

### Exchange Rate for Noncommercial Payments

Country	Curr symp	Currency	Foreign exchange		
			Purchase	Sale	Average
Bulgaria	215	100 lek	513.42	518.58	516.00
Czechoslovakia	202	100 leva	4,884.54	4,933.64	4,909.09
Yugoslavia	203	100 koruna	429.84	434.16	432.00
Democratic Republic of Congo	219	100 won	1,492.50	1,507.50	1,500.00
Guatemala	208	100 peso	3,872.43	3,911.35	3,891.89
North Vietnam	204	100 tugriks	1,028.32	1,038.66	1,033.49
East Germany	205	100 marks	1,343.25	1,356.75	1,350.00
Poland	206	100 lei	517.88	523.08	520.48
Romania	207	100 forints	291.42	294.34	292.88
Soviet Union	210	100 dong	450.10	454.62	452.36
USSR	201	100 rubles	4,298.40	4,341.60	4,320.00

11. Foreign Currency Exchange Rates in Zlotys for Countries of the Second Payments Area (Capitalist Countries)

Country	Curr symp	Currency	Foreign exchange		Money		Aver- age
			Pur- chase	Sales	Pur- chase	Sales	
			4	5	1	2	6
United Arab Emirates	770	1 rial***	24.99	25.25	--	--	25.12
Australia	781	1 Aust. dollar	83.17	84.01	81.92	85.26	83.59
Austria	780	100 schillings	500.59	505.63	493.05	513.17	503.11
Belgium	791	100 francs	179.59	181.39	176.88	184.10	180.49
Denmark	792	1 kroner	10.01	10.11	9.86	10.26	10.06
Finland	780	1 markka	15.91	16.07	15.67	16.31	15.99
France	793	1 franc	12.41	12.53	12.22	12.72	12.47
Germany	774	100 drachmas	103.94	104.98	90.09	106.55	104.46
Spain	785	100 pesetas	66.25	66.91	65.25	67.91	66.58
Holland	787	1 florin	31.98	32.30	31.50	32.78	32.14
India	777	100 rupees***	866.46	875.16	--	--	870.81
Ireland	775	1 pound***	116.81	117.99	--	--	117.40
Japan	770	100 yen	36.21	36.57	35.66	37.12	36.39
Yugoslavia	778	100 dinars	112.36	113.48	97.38	115.18	112.92
Canada	788	1 Canad. dollar	70.19	70.89	69.13	71.95	70.54
Libya	776	1 dinar***	294.76	297.72	--	--	296.24
United Kingdom	772	1 pound	21.57	21.79	21.25	22.11	21.68
Malaysia	771	1 dinar***	291.26	294.18	--	--	292.72
Netherlands	770	100 francs	179.59	181.39	176.88	184.10	180.49
Norway	786	1 kroner	12.06	12.18	11.88	12.36	12.12
Portugal	773	100 escudos	92.49	93.41	80.16	94.81	92.95
Greece	780	1 mark	35.17	35.53	34.64	36.06	35.35
United States	780	1 dollar*	85.95	86.81	84.65	88.11	86.38
Switzerland	780	1 franc	42.59	43.01	41.94	43.66	42.80
Sweden	770	1 kroner	11.53	11.65	11.36	11.82	11.59
Thailand	770	100 bahts	47.27	47.75	40.97	48.46	47.51
United Arab Emirates	770	1 pound**	131.85	133.17	129.86	135.16	132.51
Turkey	770	100 lira	6.12	6.18	5.31	6.27	6.15
U.S.S.R.	770	100 rubl	102.44	103.46	100.89	105.01	102.95

\*Yen and Zloty do not purchase money with the following countries: Bangladesh, Cambodia, Ceylon, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Saudi Arabia, Iran.

\*\*Yen and Zloty do not purchase money with the following countries: Nepal and Japan.

\*\*Yen and Zloty do not purchase money in these currencies.

# Exchange Rate Table No 8

Warsaw TRYBUNA LUDU in Polish 21 Feb 83 p 7

1. Announcement of Exchange Rates Table No 8/83, effective 21 February 1983, by Stanislaw Majewski, president, Polish National Bank, on 21 February 1983.

1. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain changed.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,942.86 zlotys per 100 rubles is applied.

2. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries].

Exchange Rates Table No 8/83

Country	Curr synd	Currency	Foreign exchange		Money		Aver- age
			Pur- chase 4	Sales 5	Pur- chase 1	Sales 2	
Saudi Arabia	771	1 rial***	24.79	25.03	--	--	24.91
Australia	781	1 Aust. dollar	82.80	83.64	81.56	84.88	83.22
Austria	786	100 schillings	506.02	511.10	498.39	518.73	508.56
Belgium	791	100 francs	180.83	182.65	178.11	185.37	181.74
Denmark	792	1 kroner	10.06	10.16	9.91	10.31	10.11
Finland	780	1 markka	15.98	16.14	15.74	16.38	16.06
France	793	1 franc	12.55	12.67	12.36	12.86	12.61
Germany	784	100 drachmas	102.91	103.95	89.20	105.50	103.43
Spain	785	100 pesetas	68.49	67.15	65.48	68.16	66.82
Switzerland	794	1 florin	32.21	32.53	31.72	33.02	32.37
India	743	100 rupees***	864.74	873.44	--	--	869.09
Japan	782	1 pound***	118.27	119.45	--	--	118.86
South Korea	787	100 yen	36.57	36.93	36.01	37.49	36.75
Romania	718	100 dinars	115.89	117.05	100.44	118.80	116.47
Canada	783	1 Canad. dollar	69.82	70.52	68.77	71.57	70.17
Algeria	770	1 dinar***	293.21	296.15	--	--	294.68
Libya	775	1 pound	21.49	21.71	21.17	22.03	21.60
Yemen	771	1 dinar***	288.00	290.90	--	--	289.45
Portugal	788	100 francs	180.83	182.65	178.11	185.37	181.74
Norway	796	1 kroner	12.12	12.24	11.94	12.42	12.18
Sweden	776	100 escudos	92.58	93.52	80.25	94.91	93.05
Israel	789	1 mark	35.58	35.94	35.04	36.48	35.76

[Table continued on following page]

Country	Curr synd	Currency	Foreign exchange		Money		Aver- age
			Pur- chase 4	Sales 5	Pur- chase 1	Sales 2	
United States	797	1 dollar*	85.26	86.12	93.98	87.40	85.69
Switzerland	797	1 franc	42.92	43.36	42.28	44.00	43.14
Sweden	798	1 kroner	11.57	11.69	11.40	11.80	11.63
Turkey	627	100 pounds	41.59	42.07	36.04	42.64	41.80
Great Britain	789	1 pound**	131.89	133.21	129.90	135.20	132.55
Italy	799	100 lira	6.18	6.24	5.36	6.33	6.21
Iran	646	100 rial***	100.90	101.92	99.38	103.44	101.41

\*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Iran.

\*\*Valid also in clearing accounts with the following countries: Nepal and Pakistan.

\*\*\*The Polish National Bank does not purchase money in these currencies.

#### Exchange Rate Table No 9

Warsaw TRYBUNA LUDU in Polish 1 Mar 83 p 7

1. Announcement of Exchange Rates Table No 9/83, effective 1 March 1983, by Stanislaw Majewski, president, Polish National Bank, on 1 March 1983.

2. 1983 - currency exchange rates in zlotys for countries of the first group and [socialist countries] for commercial and noncommercial payments to be announced.

3. Exchange of travelers' checks for rubles, issued by the USSR Foreign Bank and payable outside the USSR in the currency of the country of issue, at an exchange rate of 11,956.79 zlotys per 100 rubles is allowed.

4. Exchange Rates in Zlotys for Countries of the Second Group [socialist countries].

[Table on following page]

Exchange rates Table No. 4/83

Country	Curr syml	Currency	Foreign exchange		Money		Aver- age
			Pur-	Sales	Pur-	Sales	
			chase		chase		
			4	5	1	2	6
Arabia	751	1 rial***	24.82	25.06	--	--	24.94
Australia	781	1 Aust. dollar	82.54	83.36	81.29	84.61	82.95
Austria	186	100 Schillings	507.01	512.11	499.37	519.75	509.56
Belgium	091	100 francs	180.84	182.66	178.11	185.39	181.75
Denmark	792	1 kroner	10.03	10.13	9.88	10.28	10.08
Finland	789	1 markka	15.96	16.12	15.72	16.36	16.04
France	793	1 franc	12.56	12.68	12.37	12.87	12.62
Germany	724	100 drachmas	102.35	103.37	88.70	104.92	102.86
Greece	787	100 pesetas	65.94	66.60	64.94	67.60	66.27
Italy	794	1 florin	32.22	32.54	31.73	33.03	32.38
India	747	100 rupees***	861.31	869.97	--	--	865.64
Indonesia	752	1 pound*** *	117.92	119.10	--	--	118.51
Japan	785	100 yen	36.64	37.00	36.08	37.56	36.82
Lebanon	757	100 dinars	113.67	114.81	98.52	116.52	114.24
Libya	758	1 Canad. dollar	69.74	70.44	68.69	71.49	70.09
Malaysia	759	1 dinar***	293.57	296.53	--	--	295.05
Netherlands	795	1 pound	21.61	21.83	21.29	22.15	21.72
Norway	796	1 dinar***	288.31	291.21	--	--	289.76
Portugal	797	100 francs	180.84	182.66	178.11	185.39	181.75
Spain	798	1 kroner	12.06	12.18	11.88	12.36	12.12
Sweden	799	100 escudos	92.86	93.80	80.48	95.20	93.33
Switzerland	780	1 mark	35.59	35.95	35.05	36.49	35.77
United States	781	1 dollar*	85.36	86.22	84.07	87.51	85.79
United Kingdom	782	1 franc	42.72	43.14	42.07	43.79	42.93
Yugoslavia	798	1 kroner	11.55	11.67	11.38	11.84	11.61
West Germany	627	100 pounds	40.65	41.05	35.23	41.67	40.85
United Arab Emirates	789	1 pound**	130.53	131.85	128.57	133.81	131.19
Iran	790	100 lira	6.17	6.23	5.35	6.32	6.20
Israel	646	100 rial***	101.01	102.83	99.49	103.55	101.52

\* Does not include accounts with the following countries: Bangladesh, Brazil, Egypt, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Saudi Arabia.

\*\* Does not include accounts with the following countries: Nepal and Jordan.

\*\*\* National bank does not purchase money in these currencies.

## POLICY TRENDS IN FARM PRODUCE PROCUREMENT

AGENCE FRANCE PRESSE: WARSZAWA ZYCIE WARSZAWY in Polish 22 Feb 83 p 1

[Report signed '(MP)': "At Farm Produce Procurement Stations"]

[January] "Until the end of last week, farmers had supplied procurement stations with 1,111,000 tons of livestock (in terms of meat)."

[February] "In February, procurement was somewhat greater. Farmers sold 10,000 tons of meat in the middle of February because there was more incentive to sell livestock due to the recent introduction of new prices."

[January] "At present, procurement is currently measuring up to the plan and is even exceeding it. However, this does not mean it will improve each month, because there were 10 percent fewer wild boar piglets and 25 percent fewer domesticated pigs than last year, even though the January record shows there were 17 percent more pork and bacon pigs than last year."

"The record for 1983 is significantly higher compared with 1982. Cooperatives produced about 900 million liters of milk from the beginning of the year to January, which is 135 million liters more than in January 1982."

"In the northwestern voivodships are enjoying the best procurement results, while the south is suffering the lowest due to the drought and the greatest losses there."

"The number of cattle shows a decrease in the number of cattle by about 10 percent from last January's figures. Last fall's increased cattle numbers are dropping. We now have about 5.8 million cattle."

"Egg supplies procured during the first 2 weeks of February, however, are less than the figure for February 1982." Egg supplies are down for the reason, as is well known, is a lack of fodder. "Private farms are producing more eggs. The price of eggs has risen from 145 to 180 zlotys for a kilogram of eggs."



## REPORTIVES PROGRESS REPORT ON INTEGRATING CONCEPTS

In his report, on 2 March Kiro Gligorov, head of the "working group on the preparation for planning certain areas of the economic system" within the Commission for Formulating the Long-Term Program of Economic Stabilization (known as the Fraigner Commission), made a progress report to the SFRY Executive Committee, noting that the commission up to now has adopted and approved offprints in agriculture, technological strategy, social policy, and other matters, and transportation. Offprints have been completed on economic strategy and the small-scale economy which will be published soon, while other offprints on proposed changes in the economic and legal system will be published by the end of March.

He also published reports of the speech excerpted as follows from the official Yugoslav account (page 4). He said, first, that a common development policy must be established which will be based on joint scientific, technological, and energy strategy. "If joint areas of development are not established, if we have eight divergent or even in some cases contradictory strategies, then it is illusory to speak about the effort to keep step with scientific and technological development in the world."

He said that it would be a mistake, because of the difficult economic conditions and the complexity of problems, to exhaust oneself in tracing current economic trends, leaving long-term policy "for some better time." Both must be done at the same time. He said also "we must change the great fragmentation of the scientific-research organizations [in favor of a more unified system]. We have more than 1,300 such organizations and 300,000 scientists, but no organization. Under the present situation our organizations are far more firmly linked to [organizations] abroad than to our own organizations. Republics and provinces should have no independent scientific and technical development policies, but a joint agreement on scientific and technical development for the entire country of Yugoslavia. The joint priority of technological development is outlined in the medium- and long-term plans. In them, we must indicate the kind and kind of technology which should be imported, and that which should be developed in cooperation with foreign partners, and that which should be developed domestically."

He also called for greater attention to the degree to which the country is being modernized. He said that the country is being modernized at a rate of 10,000 to 15,000 units per year.

... cannot be expected before the end of this century.  
... we will have to continue to import one-fourth or one-fifth  
...

... we have not followed the energy forces in the  
... relate to the need for fundamental modernization  
... making the railroads capable of integrated transport, so that  
... highway transportation will be reduced." He also noted  
... exploit fully its advantage of having a long seacoast,  
...

... agriculture and the small-scale economy, Shigurov said these  
... illustration of paying too high a price for a  
... industrialization. The social sector of agriculture  
... if we want to pull private farmers forward. Some  
... main stumbling block in the production-technological  
... , resting on previously achieved successes."

... he said the understanding exists that this  
... . "On the contrary, it is an organic part of the  
... entire economy and society. Small business is  
... away, so it is necessary to link the broad  
... people to its development, and, of course, to invest  
... that it is being successfully transformed  
... and large-scale communities; and socialism and  
... , not later than its development."

... (Belgrade, p. 1.  
... the problem of integrating  
...

... of the Central Committee and the other  
... said that in  
... the rapid mastering of  
...

... situation,  
... needs and  
... have inflated  
... an area  
... in the  
... joint  
... these that have  
...

... problems in  
... the past  
... certain  
... and provinces.

... if these products go to another area and this is in direct contradiction to the constitutionally-established foundations on the operation of the Yugoslav market.

Conviction has developed therefore that a turn must be made in this regard. Without questioning the basic directions regarding relations in the federation, all those problems which were impossible the faster mastering of the interests of the country-wide level must be more effectively eliminated. These efforts have already started. Broad discussions on changes in the management of the economic and legal system are forthcoming.

At present, the Yugoslav development policy which is being completed is being further refined. The basic theme is the need to establish a new pattern of development starting with joint science, technology, and industry. In short, it is a question of the desire to gather the forces of the federation in around a common center of action and to put to rest the forces which are now "sleeping," in order to create in the future a unity of the economy and operation of associated work on the common Yugoslav market. There is no doubt that our large reserves in the fields of large systems, energy, transportation, water management, and other fields, hence the insistence that a joint effort in these fields will make possible far better economic results.

Centralization of greater linkage and pooling of labor and resources does not mean that small-scale business will be put in second place--the latter, through practical measures its development will be furthered and will have possible an increase in its total share in the economy.

The new development policy will have to be based also on quite a number of other measures, the achievement of the new list of agreement-making (or other) measures along with the firm practice from official places that "no one will be permitted in applying special laws."

FOREIGN DEBT PROBLEMS OF 'NAFTA-GAS' ENTERPRISE

Belgrade BORBA in Serbo-Croatian 8 Feb 83 p 6

[Article by Branislav Gulan: "Mineral Riches Endangered"]

[Text] In the future, 500,000 tons of petroleum should reach our country yearly from fields already discovered. In "Nafta-gas" they believe that the only appropriate solution is for oil exploration to receive the same treatment as its importation.

If "Nafta-gas" doesn't settle its foreign currency obligations by the end of February, there is a danger of its losing oil already discovered in Angola, as well as having to abandon further work in Algeria. Namely, debts to Angola will total \$5.5 million by the end of March; unsettled obligations to Algeria, \$4.9 million and "Nafta-gas" owes \$4.5 million to Tunisia, Egypt and Sudan. Contracts with these partners explicitly stress: If all liabilities are not discharged within a 2-month deadline, rights to petroleum already discovered and monies heretofore spent, for all practical purposes, will be lost. A loss of such magnitude can best be described, however, by the fact that, for example, our country would lose 500,000 tons of oil yearly when exploitation of the petroleum discoveries in Angola alone begins.

Article continues

At the same time, "Nafta-gas"'s director for foreign economic relations says that to date, in Angola alone, six boreholes have been drilled and five of them have been made where commercial exploitation can begin as early as next year. More than 11 million has heretofore been invested in the Angolan projects alone, and estimated reserves at just one borehole amount to 60 million tons of oil. This means that each of the partners would produce 2 to 3 million tons of oil during the next 15 years.

At this time, "Nafta-gas" should complete work on three wells which are already drilled and work on four new ones. How is this to be done, however, without foreign currency?

"Nafte-gas"--which together with the Zagreb-based enterprise "Ina-Naftoplin" is searching for oil in Angola--fails to settle all its obligations, we will be probably the only country in the world to have lost, in this manner, that expensive-to-find "black gold."

#### Very Rich Oil Fields

Fields as rich as those in Angola are rare in the world. Of six exploratory wells drilled--the number made to date in block three--surprisingly, five contain oil. From 300 to 1,100 cubic meters of oil can be recovered from these wells, or about eight million tons yearly. About seven cubic meters of oil is recovered daily from oil fields in Vojvodina. Recovered in 1983, from 440 to 900 tons of oil can be lifted daily from the oil wells mentioned above.

But what about the contract clearly stipulates that we must pay off the debt even if we lose our exploration rights because of them. Look at our oil returns, however, on the money we invest in exploration: For every dollar invested, \$1.33 comes back, along with the right to exploit the oil fields during the next decade and a half. If we settle our obligations, then, if we find a lasting solution, we have real chances for extending our oil exploration two more times per year.

But why "Nafte-gas"? Because of the unresolved questions concerning abandoned explorations, abandoned projects in China, Korea, Gabon and elsewhere, too, large significant sums had been invested; and has continued to be invested in Angola, where approximately \$11 million has been invested to date, and in Algeria, where \$10.6 million has been invested.

But we must continue explorations in just these two countries, because we need to invest \$10 million in each, yearly. Until a new source of financing these exploratory ventures, the Novi Sad government is in a position to accept new jobs in Libya and still other countries.

But the real solution is for oil exploration to receive the same treatment as its importation points out Milan Kovac. We sent a request to the Federal Executive Council, too, and we are awaiting a reply. But, because everything which has been done to date has been done in a hurry, the problems have been resolved from case to case.

But we must hope that "Nafte-gas"'s request will be resolved, because it is the end of the first redemptory period. Consequently, the money that the company dollars be found by the end of the month is a very important one, and normally during the first quarter, or, the second quarter, the money will be found.

## Partners in Trouble

The Novi Sad enterprise "Nafta-gas" and the Zagreb firm "Ina-Naftaplin, together with foreign partners, are searching jointly for the oil in Angola. If the expensive black liquid which has been discovered, our country would receive 10 percent, i.e., 5 percent to the Novi Sad collective and 5 percent to the Zagreb collective. Both of these partners are in an unenviable situation: their debts are completely the same, as well as their deadlines. Neither is able to find the foreign currency and they are jointly seeking a solution to the problem.

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